

are used to identify, develop, and demonstrate leveraging should not be deducted as offsetting costs. Such funds are likely to serve more than one planning/administrative purpose, and exact amounts spent to identify, develop, and demonstrate leveraging are likely to be difficult to identify and isolate.

Costs incurred from grantees' own funds to identify, develop, and demonstrate leveraging programs must be deducted in the first base period in which resulting leveraged benefits are provided to low-income households. If there is no resulting leveraged benefit from the expenditure of the grantee's own funds, the grantee's expenditure should not be counted or deducted.

Any costs assessed or charged to counted low-income households on a continuing or on-going basis, year after year, specifically to participate in a counted leveraging program or to receive counted leveraged resources must be deducted in the base period these costs are paid. Any one-time costs or charges to counted low-income households specifically to participate in a counted leveraging program or to receive counted leveraged benefits must be deducted in the first base period the program or resource is counted, even if those charges were made before this base period. These costs/charges are to be subtracted from the gross value of a counted resource/benefit for low-income households whose benefits are counted, but not for any low-income or other households whose benefits are not counted. On the other hand, nonspecific costs imposed on low-income households—such as costs resulting from increases in a utility company's general rates to pay for or support benefits for households in special programs—should not be deducted.

Documentation of Resources, Benefits, and Costs

Section 96.87(g)(8) of the interim rule required that grantees

maintain, or have readily available, records sufficient to document leveraged resources and benefits, and offsetting costs and charges, and their valuation. These records must be retained for three years after the end of the base period whose leveraged resources and benefits they document.

In addition, the preamble contained guidance regarding documentation, including a listing of the specific types of documentation that should be included in leveraging records maintained by, or readily available to, grantees.

Comment and Response

We received one comment concerning leveraging documentation. The commenter stated that grantees competing for leveraging incentive funds "have a right to expect each other to keep archives of material clearly documenting the flow of benefits claimed." The commenter agreed that HHS should require applicants to keep documentation for three years and make it available to HHS when needed. We retained these requirements in the final rule.

Guidance on Documentation

We retained—and repeat below for easy reference—most of the interim rule's preamble guidance on documentation.

Grantees should have clear, consistent, documented policies and procedures for documenting leveraged resources, benefits, and costs. Grantees are to maintain, or have readily available, records adequate to document leveraged resources and benefits, and offsetting costs and charges, and their valuation. (For example, a grantee—and/or subrecipients—should maintain records to document counted oil overcharge funds. A grantee should maintain and/or have easy access to documentation relating to counted fuel fund benefits.) These records are to consist of written and/or printed papers, etc., furnishing evidence that substantiates the claims made in the grantees' leveraging reports. These records are to be retained for three years after the end of the base period whose leveraged resources they document.

These records should include:

- Documentation of the sources of leveraged resources;
- Documentation of the negotiations, competitive bids, written agreements, legislation, regulations, and mandates through which leveraged resources were acquired or developed and under which they were provided;
- Documentation of recipient households' Federal eligibility, or eligibility for the grantee's LIHEAP program, as appropriate;
- Documentation of the type, amount, and value of leveraged benefits provided, including documentation of commonly available, local market household home energy rates or costs charged;
- Documentation of the type, amount, and value of in-kind contributions;
- Documentation of the costs incurred by the grantee to leverage resources and of the costs imposed on low-income households;

- Documentation of the calculation of the net addition to recipient households' home energy resources; and
- Documentation of the integration of leveraged resources with the grantee's LIHEAP program, as appropriate.

Recipient eligibility documentation should document each household's income or categorical eligibility. Benefit documentation should document the delivery and value of each benefit, including the amount or quantity and unit price, as appropriate.

We are requiring submission of some of this documentation with grantees' leveraging reports. We may require submission of additional documentation to clarify or support information submitted in a leveraging report.

Many of the resources submitted during the first three years of the leveraging incentive program were provided and administered at the subrecipient level. As discussed elsewhere in this preamble, such resources are countable if they meet all of the requirements for countable resources. In such cases, records likely will be kept at the local level, and information required for the leveraging report likely will be provided to State officials by local agencies. Again, this is acceptable, as long as the documentation discussed above is maintained and readily available both to State and Federal officials.

However, we emphasize that it is important for grantees to develop and institute procedures to ensure that this documentation is accurate and complete. In some cases, when we asked States for more information about particular resources administered by subrecipients, we found that the States not only had virtually no knowledge about the resources, but also were unable to obtain the necessary additional information from the local agencies.

We expect grantees to ensure that local agencies that provide and/or administer leveraged resources/benefits will receive adequate instruction or training in the requirements for countable resources and their valuation. Also, we expect grantees to institute monitoring procedures to ensure that such agencies maintain required documentation and provide accurate reports. In addition, as previously discussed in this preamble, resources counted under criteria (ii) and (iii) of § 96.87(d)(2) must be "appropriated or mandated" by the grantee—the State, tribe, tribal organization, or territory—for distribution to low-income households, either through its LIHEAP program (criterion (ii)) or as described in its LIHEAP plan and integrated and