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**WEATHERIZATION ASSISTANCE PROGRAM FOR LOW-
INCOME PERSONS**

State Project/Program:	WEATHERIZATION ASSISTANCE PROGRAM FOR LOW- INCOME PERSONS
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Federal Authorization:	U. S. Department of Energy American Recovery and Reinvestment Act of 2009; Title IV, Energy Conservation and Production Act; 10 CFR Part 440; Energy Policy Act of 2005; 10 CFR Part 600; Energy Independence and Security Act of 2007.
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State Authorization:	NC Department of Environmental Quality State Energy Office Weatherization Assistance Program
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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

This State compliance supplement must be used in conjunction with the OMB 2025 Compliance Supplement which is scheduled to be issued in May 2025. The OMB supplement will include “Part 3 - Compliance Requirements,” for the types that apply, and “Part 6 - Internal Control.” If a federal Agency issued guidance for a specific program, this will be included in “Part 4 - Agency Program”. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

I. PROGRAM OBJECTIVES

The objective of the federal Weatherization Assistance Program (WAP) is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety. WAP has a special interest in addressing these needs for low-income persons who are particularly vulnerable, such as the elderly, persons with disabilities, and families with children, as well as those with high energy usage and high energy burdens.

The purpose of the North Carolina (NC) WAP is to install energy conservation measures in the homes of income-eligible persons within North Carolina, with a particular focus on homes occupied by the elderly, persons with disabilities, children, and those experiencing high energy usage and high energy burdens. Funds are applied to the most cost-effective conservation measures, as determined by an on-site energy audit of the dwelling. These measures may range from air sealing and insulating single-family homes to replacing heating systems, windows, and doors. NC WAP assistance is available for all types of housing units, including single and multi- family housing, manufactured housing, and group homes, and is accessible in all 100 counties of the state.

II. PROGRAM PROCEDURES

Program Administration

The North Carolina Weatherization Assistance Program (NC WAP) operates under a federally approved comprehensive State Plan, a critical element of the state's application for DOE WAP funding. This plan serves as the program's roadmap, guiding all aspects from project selection and eligibility criteria to financial accountability, work standards, and quality control measures. A competitive process, adhering to federal regulations (10 CFR 440.14 and 440.15), selects service providers (non-profits, CAAs, or public entities) based on merit before the State Plan is finalized. These pre-selected providers are then incorporated into the plan itself for DOE review and approval. The State Plan also includes key supporting documents, such as the training and technical assistance plan, health and safety plan, and standard work specifications, which provide detailed guidance for program implementation. Critically, this State Plan is subject to a public comment period, ensuring public input shapes the program's direction.

Upon written DOE approval, the state receives funding and executes contracts with the pre-approved subrecipients. These contracts, which typically draw funding from DOE, LIHEAP WAP, and HARRP funds, are aligned with the State Plan's funding formula and clearly define operating terms, budgets, and all compliance requirements. While the State Plan provides a stable framework, it is subject to formal revisions, as needed. Any changes to the approved plan, including its supporting documents, require a formal revision process and formal DOE approval through the Performance and Accountability for Grants in Energy (PAGE) portal.

This process ensures transparency and accountability, maintaining the program's integrity and its commitment to serving low-income households.

If the State does not submit an application or if the State plan is rejected, a local applicant may submit a plan to carry out weatherization projects. Section 411(c) of the Energy Independence and Security Act of 2007 added Puerto Rico and the U.S. Territories to the definition of "State." As a result, beginning in Fiscal Year 2009, DOE will make WAP awards to American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. References to "State" in this program supplement include these entities. DOE also provides direct grants to select Native American tribes each year.

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In addition to Federal appropriated funds, other sources of funding under this program may include oil overcharge funds, also known as petroleum violation escrow (PVE) funds. PVE-leveraged funds identified in the budget and incorporated into the DOE award (as part of the approved budget) must meet all DOE requirements, including allowability of costs, specified in the award. If such funds are not included in the approved budget, states have greater flexibility in how those funds are used.

Department Activities

Prior to determining and distributing allocation amounts to subgrantees, competitive applications are submitted by non-profits, community action agencies, or public entities to the Weatherization Assistance Program. Afterwards, the competitive applications are reviewed, and service providers are selected based on merit and federal regulations for public processes and eligibility in 10 CFR

440.14 and 10 CFR 440.15. Upon the federal DOE's review and approval of the selected service providers, contracts that collectively contain funds for DOE, LIHEAP WAP, and HARRP are issued to the subgrantee based on the formula methodology in the State Plan. The contract contains the: (1) financial assistance agreement and cross-referenced federally-approved documents; (2) flow down requirements; (3) scope of work; (4) approved budget; (5) subgrantee's conflict of interest policy;

(6) certification of no overdue tax debts; (7) notice of certain monitoring, reporting, and audit requirements; (8) certifications regarding lobbying, nondiscrimination, and drug-free workplace; (9) disclosure of lobbying activities (if applicable); and (10) federal tax-exempt letter or 501 C verification form (if applicable). Sub-recipients are required to submit monthly financial reports and program reports based on the NC WAP's monthly submittal calendar during the grant period. To support reimbursement requests, subgrantees shall obtain and submit original point-of-sale documentation (invoices/receipts) for all claimed expenses to the NC WAP along with a report of monthly housing production. Prior to reimbursement, the NC WAP shall conduct a full and complete review of all documents to ensure proper cost allocation and compliance with the Uniform Guidance (regarding allowability and allocability), the contract, program policies/procedures, and the terms and conditions of the award. Accurate payment requires monthly reconciliation of all expenses.

Alternatively, subgrantees may request advance payments for anticipated allowable costs in accordance with 2 CFR 200.305, "Advance payments." Such requests shall be justified and documented, clearly demonstrating the need for the advance and outlining how the funds will be used to carry out program objectives. The NC WAP shall review advance requests to ensure they are necessary, reasonable, and in compliance with 2 CFR 200.305's requirements, including provisions for minimizing the time between the transfer of funds and their disbursement. Subgrantees receiving advances shall be held accountable for proper management and expenditure of these funds and shall be required to provide timely reporting and documentation of how the

advanced funds were utilized. Any unexpended or improperly used advance funds may be subject to recovery by the NC WAP.

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Source of Governing Requirements

WAP is authorized under Title IV, Part A, of the Energy Conservation and Production Act (Act), as amended (42 USC 6861 through 6872), **including amendments made by the American Recovery and Reinvestment Act of 2009 (Pub. L. No 111-5)**. Implementing regulations are published at 10 CFR part 440.

Availability of Other Program Information

Program notices are available on the Internet at <https://www.energy.gov/scep/wap/weatherization-program- notices-and-memorandums>.

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III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements (Types) that are applicable to the federal program. These Types are either determined by the federal agency or the State Agency may have added the Type. This is noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is discussed in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, this is indicated by "N."

If the Type is applicable, the auditor must determine if the Type has a direct and material effect on the federal program for the auditee. The auditor must use the OMB 2025 Compliance Supplement, Part 3 and Part 4 (if an OMB supplement is issued) in addition to this State supplement to perform the audit.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

Allowable Activities: WAP funds may be used for the following, in accordance with applicable regulations and guidance:

- Materials:** Purchase and delivery of approved weatherization materials listed in 10 CFR Part 440, Appendix A, or otherwise approved by the DOE (10 CFR 440.18(d)(1)).
- Labor:** Costs associated with labor directly related to the installation of weatherization measures (10 CFR 440.19).
- Transportation:** Transportation of weatherization materials, tools, equipment, and work crews to storage sites and work sites (10 CFR 440.18(d)(3)).
- Vehicle Expenses:** Maintenance, operation, and insurance of vehicles used *primarily* for weatherization activities (10 CFR 440.18(d)(4)).
- Tool and Equipment Maintenance:** Maintenance of tools and equipment used for weatherization (10 CFR 440.18(d)(5)).
- Tool and Equipment Acquisition:** Purchase of tools and equipment necessary for weatherization (10 CFR 440.18(d)(6)).
- Vehicle Acquisition:** Annual lease of vehicles used *primarily* for weatherization activities (10 CFR 440.18(d)(6)). Purchase of such vehicles requires *prior written*

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approval from the DOE.

- h. **Supervisory Personnel:** Employment of on-site supervisory personnel directly involved in weatherization projects (10 CFR 440.18(d)(7)).
- i. **Storage:** Storage of weatherization materials, tools, and equipment (10 CFR 440.18(d)(8)).
- j. **Incidental Repairs:** Costs of minor repairs *directly necessary* to make the installation of weatherization materials effective (10 CFR 440.18(d)(9)).
- k. **Insurance:** Liability insurance costs for weatherization projects, covering personal injury and property damage (10 CFR 440.18(d)(10)).
- l. **Training and Technical Assistance:** Weatherization training and technical assistance for staff and contractors (10 CFR 440.18(d)(11)).
- m. **Client Education:** Client education programs focused on energy efficiency and conservation (10 CFR 440.18(d)(12)).
- n. **Administration:** Reasonable administrative costs directly related to the administration of the WAP (10 CFR 440.18(d)(13)).
- o. **Leveraging:** Costs associated with leveraging activities, as specified in the State Plan and grant agreement, and limited to 15% of the grantee's total allocation (10 CFR 440.18(d)(14)).
- p. **Health and Safety:** Costs of eliminating health hazards that are *directly related* to and *necessary for* the safe installation of weatherization materials (10 CFR 440.18(d)(15)).
- q. **Energy Audits:** Energy audits and related diagnostic testing (10 CFR 440.18(d)(16)).
- r. **State Plan Development:** Costs associated with developing and implementing the State Plan (10 CFR 440.18(d)(17)).
- s. **Program Evaluation:** Costs of evaluating the effectiveness of the weatherization program (10 CFR 440.18(d)(18)).
- t. **Other Approved Activities:** Other activities *directly related* to the approved State Plan and *specifically approved in writing* by the DOE (10 CFR 440.18(d)(19)).
- u. **Low-Cost/No-Cost Measures:** Costs associated with carrying out low- cost/no-cost weatherization assistance (10 CFR 440.20).
- v. **Financial Audits:** Costs of WAP financial audits conducted in accordance with 10 CFR 440.23.
- w. **Renewable Energy Systems:** Expenditures for labor, weatherization materials, and related matters for renewable energy systems, as defined in 10 CFR 440.3, not to exceed an average of \$3,000 per dwelling unit or the adjusted amount published in WAP program notices (42 USC 6865(c)(4); 10 CFR 440.18(b)).

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Unallowable Activities: WAP funds *shall not* be used for:

- a. Weatherizing dwellings designated for acquisition or clearance by a Federal, State, or local program within 12 months of the planned weatherization (10 CFR 440.18(f)(1)).
- b. Re-weatherizing a dwelling previously weatherized with grant funds, *except* under the following circumstances:
 - i. Implementation of low-cost/no-cost measures as defined in 10 CFR 440.20 (10 CFR 440.18(f)(2)(i)).
 - ii. Repair of damage caused by fire, flood, or other acts of God, where such damage is not covered by insurance (10 CFR 440.18(f)(2)(ii)).
 - iii. Weatherization of a dwelling previously weatherized under the Act or another Federal program between September 30, 1975, and September 30, 1985 (10 CFR 440.18(f)(2)(iii)).

B. Allowable Costs/Cost Principles

Follows Federal Regulations for Weatherization Assistance Program for Low Income Persons - 10 Code of Federal Regulations (CFR) 440 and Financial Assistance Rule - 2 CFR 200.

C. Cash Management

Weatherization establishes policies, procedures, and contracts that comply with Federal cash management regulations and ensures that all entities deposit initial and subsequent advances in interest-bearing accounts.

D. Reserve

E. Eligibility

1. Eligibility for Individuals

- a. A dwelling unit is eligible for weatherization assistance if it is occupied by a family unit:
 - (1) Whose income is at or below 200 percent of the poverty level determined in accordance with the criteria established by the Director of the Office of Management and Budget.
 - (2) That contains a member who has received cash assistance payments under Title IV or XVI of the Social Security Act or applicable State or local law at any time during the 12-month period preceding the determination of eligibility for weatherization assistance; or
 - (3) If the State elects, is eligible for assistance under the Low-Income Home Energy Assistance Act of 1981, provided that such basis is at least 200 percent of the poverty level (42 USC 6862(7), as amended by Section 407(a), ARRA, 123 Stat 146).

The poverty guidelines are issued each year in the *Federal Register* and HHS maintains a web page which provides the poverty guidelines <https://aspe.hhs.gov/sites/default/files/documents/dd73d4f00d8a819d10b2fd b70d254f7b/detailed-guidelines-2025.pdf>

- b. In addition, the following requirements apply: -

- (1) Written permission has been obtained from the owner of the dwelling or his/her

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agent (10 CFR section 440.22(b)(1)).

- (2) Not less than 66 percent (50 percent for duplexes and four-unit buildings and certain types of eligible large multifamily buildings) of the dwelling units in the building:
 - (a) Are eligible dwelling units in the manner defined in III.E.1.a, Eligibility for Individuals, above (10 CFR section 440.22(b)(2)(i)); or
 - (b) Will become eligible within 180 days under a Federal, State, or local program for rehabilitating the building or making similar improvements to the building (10 CFR section 440.22(b)(2)(ii)).
- (3) If the dwelling to be weatherized is rented, a formal agreement between landlord and tenant has been reached addressing issues of eviction from and sale of property receiving weatherization materials (10 CFR section 440.22(c)).

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients

- a. In the interest that Subgrantees intend to provide service to employee(s) or relative(s), they must obtain written approval from the DEQ Weatherization Program Manager before rendering service(s) via a signed/dated request by the Executive Director or his/her designee that certifies and provides the documentation outlined in Section 2.10 of the State Plan. If approved, DEQ must conduct onsite and technical monitoring for the affected client's closed job to ensure a fair and equitable process.

F. Equipment and Real Property Management

The DOE Weatherization Assistance Program adheres to all applicable federal (10 CFR Part 440, 2 CFR 200) and federally-approved state policies (Weatherization State Plan) regarding the acquisition, use, maintenance, and disposition of equipment and real property for the grantee and subgrantee. This includes, but is not limited to, detailed inventory tracking, proper maintenance schedules, and compliant disposal procedures, ensuring all assets are managed in accordance with program guidelines and DOE requirements.

G. Matching, Level of Effort, Earmarking

1. Matching – Not Applicable

2. Level of Effort – Not Applicable

3. Earmarking

- a. Subrecipients may spend no more than 10 percent of the grant for administration; however, for subrecipients receiving grants of less than \$350,000, a State may permit that entity to expend up to an additional 5 percent of its subgrant for administrative purposes (10 CFR section 440.18(e)).—No more than fifteen percent (15%) of the total fiscal year contract will be reserved for administration by both the subgrantee and DEQ, with up to 7.5% of that to be reserved for the DEQ to support the program buildout, implementation, monitoring, and evaluation over the BIL contract period.
- b. Not more than 20 percent of the funds may be used to provide, directly or indirectly, training and/or technical assistance to any grantee or subgrantee (42 USC 6866, as amended by Section 407(d), ARRA, 123 Stat 146; 10 CFR section 440.23(e)).

H. Period of Performance

Grant funds are made available to Grantee for the July 1st to June 30th fiscal year in which they are appropriated. The Period of Performance is also provided in the federally approved State Plan and executed Financial Assistance Agreements with the selected subgrantees.

I. Procurement and Suspension and Debarment

All procurement activities undertaken in connection with this Subaward Contract must conform to the procurement standards set forth in 2 CFR Part 200. It is verified annually that Subgrantees are not on the Suspension of Funding List and Excluded Parties List systems. Federal grant funds cannot be given to Subgrantees that are on either of these lists.

J. Program Income

The DOE Weatherization Assistance Program adheres to all applicable federal (2 CFR 200.307) and federally-approved state policies (Weatherization State Plan) regarding the generation, use, and reporting of program income for the grantee and subgrantee. This includes, but is not limited to, the accurate tracking and documentation of all program income, ensuring that it is used for allowable program purposes as defined by DOE guidelines and reported in accordance with federal and state requirements.

K. Reserve

L. Reporting

1. Financial Reporting

The DEQ shall submit on a quarterly basis a Financial Status Form to the Department of Energy. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting –

- a. *Quarterly Performance Report* – Applicable
- b. *Historic Preservation Report* – Applicable
- c. *Training & Technical Assistance Report* – Applicable
- d. *Readiness Fund Report* - Applicable

3. Special Reporting – Not Applicable

M. Subrecipient Monitoring

Monitoring is conducted annually by the DOE program administrators.

N. Special Tests and Provisions

The DOE Weatherization Assistance Program adheres to all special tests and provisions outlined in the federal award (10 CFR Part 440, 2 CFR 200, Appendix I) and the federally-approved Weatherization State Plan. This includes, but is not limited to, compliance with specific performance goals, technical standards, reporting requirements, and any unique conditions stipulated in the award agreement, ensuring that all program activities are conducted in accordance with the terms of the federal grant and DOE regulations.