



Highlights of [GAO-10-621](#), a report to congressional requesters

# LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

## Greater Fraud Prevention Controls Are Needed

### Why GAO Did This Study

Federally funded at about \$5 billion a year, the Low-Income Home Energy Assistance Program (LIHEAP) provides financial assistance to low-income households for heating and cooling costs. The Department of Health and Human Services (HHS) awards LIHEAP funds based on low-income populations and other factors. Grantees—states, the District of Columbia, territories, and Indian tribes and tribal organizations—then provide energy assistance payments to low-income households.

GAO was asked to audit (1) the risk of fraud and abuse in LIHEAP in selected states; (2) case studies of fraudulent, improper, and abusive LIHEAP activity; and (3) key weaknesses in the design of LIHEAP’s internal controls framework. To meet these objectives, GAO analyzed LIHEAP data from seven states for fraud indicators, interviewed federal and state officials, performed investigations, and conducted proactive testing in two states using a bogus company, individuals, addresses, and documents. The seven states were primarily selected based on size of LIHEAP grant and availability of centralized database.

### What GAO Recommends

GAO makes six recommendations to HHS to issue guidance to states to better prevent fraud in LIHEAP. HHS agreed with the six recommendations.

View [GAO-10-621](#) or [key components](#). For more information, contact Greg Kutz at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

### What GAO Found

LIHEAP is at risk of fraud and improper payments in all seven of our selected states. About 9 percent of households receiving benefits—totaling \$116 million—in the selected states contained invalid identity information, such as Social Security numbers, names, or dates of birth. Although some of these cases are likely due to simple errors such as typos or incomplete data, thousands of other cases show strong indications of fraud and improper benefits. For example, the identities of over 11,000 deceased individuals were used as applicants or household members for LIHEAP benefits. Hundreds of individuals were used as applicants or household members even though they were incarcerated in state prisons, making them ineligible. Finally, we identified over a thousand federal employees whose federal salary exceeded the maximum income threshold when they applied. We nonrepresentatively selected and investigated 20 cases that either validated the potential fraudulent activity noted above or illustrated other improper activities.

#### Examples of Fraudulent or Improper Activity in LIHEAP

| Nature of activity                                    | State     | Case details   |
|---|-----------|--|
| Deceased individuals                                  | IL        | Illinois provided \$540 in energy assistance to an applicant who fraudulently used the identities of two deceased family members to qualify for LIHEAP.  |
| Federal employee salary over maximum income threshold | IL        | Illinois provided \$840 in energy assistance to a U.S. Postal Service employee who fraudulently reported zero income to qualify for LIHEAP. Despite earning about \$80,000 per year, the employee stated that she saw “long lines” of individuals applying for LIHEAP benefits and wanted the “free money.”    |
| Residential facilities                                | NJ        | New Jersey provided \$3,200 in energy assistance to a nursing home facility whose director claimed to represent eight patients residing in the facility. These patients had their nursing home care paid by Medicaid.  |
| GAO’s proactive testing                               | WV and MD | Posing as low-income residents, landlords, and an energy company, GAO used bogus addresses and fabricated energy bills, pay stubs, and other documents to apply for energy assistance. All fraudulent claims were processed and the energy assistance payments were issued to our bogus landlords and company. |

Source: GAO analysis of state, public, and other records.

Although states are primarily responsible for preventing fraud, LIHEAP’s internal controls framework has several key weaknesses. HHS has not provided specific guidance to states, instead issuing only broad regulations for states to establish appropriate systems and procedures to prevent fraud. The selected states do not have an effective design for a comprehensive fraud prevention framework. In fact, the states lack key efforts in all three crucial elements of a well-designed fraud prevention system: preventive controls, detection and monitoring, and investigations and prosecutions. Specifically, states lack essential preventive controls by not verifying identities or income. Some states automatically enroll certain individuals based on their eligibility for other programs. Although efficient in reaching similarly targeted recipients, this practice is dependent on the accuracy of the initiating program’s eligibility determination. Finally, several state officials stated that they generally did not pursue investigations and prosecutions. The reason is that the benefit amounts are relatively small.