

June 2010

LOW-INCOME HOME
ENERGY
ASSISTANCE
PROGRAM

Greater Fraud
Prevention Controls
Are Needed



GAO

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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.

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.

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Abbreviations

HHS	Department of Health and Human Services
LIHEAP	Low-Income Home Energy Assistance Program
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families

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United States Government Accountability Office
Washington, DC 20548

June 18, 2010

The Honorable Joe Barton
Ranking Member
Committee on Energy and Commerce
House of Representatives

The Honorable Michael Burgess
Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

The Honorable Greg Walden
House of Representatives

In fiscal year 2009, Congress appropriated about \$5 billion for the Low-Income Home Energy Assistance Program (LIHEAP). This program provides energy assistance to about 8.3 million low-income households through payments to household members, home energy companies, or landlords to help cover home heating and cooling costs.¹ To be eligible, households must fall under income thresholds, which typically rise with the number of household members, set by states and the federal government.

Managed by the Department of Health and Human Services (HHS), LIHEAP is a federally funded block grant program in which each state is funded according to a formula based on its weather and low-income population.² Because block grant programs generally give states a great deal of flexibility in administering their programs, states must have strong internal controls to prevent fraud and abuse. However, a 2007 investigation by Pennsylvania's state auditor found weak internal

¹To be eligible for LIHEAP, individuals must meet the LIHEAP statute's definition of an eligible household and must be responsible for energy costs either directly or through their rent. LIHEAP also provides weatherization assistance, which states can provide up to 15 percent of its LIHEAP funds. Because many of the states combine LIHEAP's weatherization with the Department of Energy's weatherization program, we did not investigate this component of LIHEAP for this review.

²LIHEAP block grants are also provided to the District of Columbia, U.S. territories, Indian tribes, and tribal organizations.

controls—inadequate policies, procedures, supervision, and oversight—in the state’s program, exposing the program to fraud. For example, 429 applicants received more than \$162,000 in LIHEAP benefits using the Social Security numbers of deceased people.

Because of the magnitude of fraud that was found in Pennsylvania’s LIHEAP, you asked us to determine whether fraud and abuse exist in other state programs. Specifically, this report discusses (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 identify the risk of fraud and abuse in LIHEAP, we obtained and analyzed benefit files for the latest year available for seven selected states: Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia.³ These states were selected primarily based on the magnitude of total LIHEAP funding and the availability of a centralized database of applicants and benefits. These states covered about one third of all LIHEAP funding in fiscal year 2009. Our criteria for identifying the risk of fraud focused on LIHEAP applications that were made using invalid identity information, such as invalid Social Security numbers, or the identities of individuals who were deceased or incarcerated. We compared LIHEAP data to data from the Social Security Administration (SSA) and state prisoner records. We also used federal salary data from the U.S. Department of Treasury, the U.S. Postal Service, and the Defense Finance and Accounting Service⁴ to determine whether civilian federal employees receiving LIHEAP benefits earned incomes above program thresholds. Our findings from our analysis only apply to these seven states and cannot be projected to the states not covered in our review.

For our case studies, we identified 13 cases that represent and validate the types of fraudulent and improper activity we found in our analysis above. We identified an additional 7 cases from our analysis of duplicate LIHEAP

³The files cover July 2008 through June 2009 for Illinois, Maryland, Michigan, New Jersey, Ohio, and Virginia, and October 2007 through September 2008 for New York.

⁴The Department of Treasury is the central disbursing agency for most federal agency payroll centers. For example, federal salary payments that are processed by the Department of Agriculture’s National Finance Center are paid through the Department of Treasury. The U.S. Postal Service processes payments for postal employees. DFAS processes payments for Department of Defense employees and employees of certain other federal agencies.

benefits and a comparison of LIHEAP data with residency data regarding Medicaid long-term care facilities.⁵ In addition, we conducted proactive testing of LIHEAP controls in Maryland and West Virginia. We selected these two states to conduct our proactive testing because of their proximity to Washington, D.C. We applied for benefits using bogus addresses and fabricated energy bills and other supporting documents, and created a nonexistent energy provider and landlords to receive the benefits on behalf of our fictitious applicants. To apply for benefits, we obtained publicly available data and used publicly available hardware, software, and materials to counterfeit documents. To determine whether there are weaknesses in the design of key aspects of LIHEAP's internal controls framework, we interviewed LIHEAP officials from the selected states and HHS on the extent to which the program had controls contained in GAO's fraud prevention model. We did not systematically test the effectiveness of LIHEAP's controls (e.g., we did not test the implementation of those controls). A more detailed description of our scope and methodology is provided in appendix I.

We conducted this forensic audit⁶ from June 2009 to June 2010 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. We conducted our related investigative work in accordance with standards prescribed by the Council of the Inspectors General on Integrity and Efficiency.

Background

Title XXVI of the Omnibus Budget Reconciliation Act of 1981⁷ 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. States, territories, Indian tribes, and tribal organizations that wish to assist low-income

⁵ The cases were chosen using a nonrepresentative selection approach based on type of fraud and improper benefit, location of the application, availability of documentation, and other criteria that provided indications of fraud and abuse.

⁶ Forensic audit is the application of methods for tracking and collecting evidence for investigation and prosecution of criminal acts, such as fraud.

⁷ Pub. Law No. 97-35 (Aug. 13, 1981).

households in meeting the costs of home energy may apply for a LIHEAP block grant. These grantees operate their LIHEAP programs by paying qualified households or energy service providers for a range of covered home heating and cooling services. LIHEAP benefits are provided to eligible beneficiaries up to the maximum eligible payment for that beneficiary as determined by the grantee. Grant funds are distributed in this manner until the annual grant has been entirely expended or the program year has ended. Although LIHEAP is 100 percent federally funded with no required state match,⁸ states and other entities may contribute supplemental funds.

While the federal government establishes overall guidelines, each grantee operates its own program.⁹ For example, federal law provides that an eligible household's income must not exceed the greater of 150 percent of the poverty level or 60 percent of the state median income (75 percent in fiscal years 2009 and 2010). Grantees may not set their maximum income threshold below 110 percent of the poverty level, but they may give priority to those households with the highest home energy costs or needs in relation to income. Under the law, LIHEAP grantees have the flexibility of serving households having at least one member who also receives assistance under any of the following federal programs: Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), and certain needs-tested Veteran Benefits. LIHEAP grantees may also set additional LIHEAP eligibility criteria, such as passing an assets test; living in nonsubsidized housing; having a household member who is elderly, disabled, or a young child; or having received a utility disconnection notice.

⁸ Grantees can use up to 10 percent of the block grant for administrative costs of the program.

⁹ Each state has flexibility in the acceptance of application and approval of eligibility. For certain states, the application is processed and approved by nonprofits or local governments. In other states, the application is processed and approved by state employees.

LIHEAP Is at Risk for Fraud and Improper Benefits in Selected States

Our analysis of LIHEAP data revealed that the program is at risk of fraud and providing improper benefits in all seven of our selected states. About 260,000 applications—9 percent of households receiving benefits in the selected states—contained invalid identity information, such as Social Security numbers, names, or dates of birth.¹⁰ Many applications may have inaccuracies due to simple errors such as typos or incomplete sections, making it impossible to determine whether these cases involve fraud. For example, about a third of the applications had Social Security numbers that were blank or obviously invalid (e.g., all zeros). Nonetheless, these applications pose a higher risk of fraud because there is no complete electronic record of beneficiaries' identities. These benefits totaled some \$116 million for the year we reviewed. Our previous work, such as our audit of the Federal Emergency Management Agency's management of the Individuals and Households Program for hurricanes Katrina and Rita, found that limited or nonexistent use of a third-party validation process left assistance programs vulnerable to substantial fraud.¹¹ As we will discuss later, LIHEAP generally does not have this third-party validation process for the seven selected states that we reviewed.

As described in the bullets below, thousands of cases show strong indications of fraud and improper benefits. But because of the invalid identity information noted above—a lack of a valid Social Security number makes it impossible to fully investigate such cases—these numbers are understated.

- Deceased individuals. The identities of over 11,000 deceased individuals were used as applicants or household members for LIHEAP benefits. Our analysis matching LIHEAP data to the SSA's death master file found these individuals were deceased before the LIHEAP application date. Benefits

¹⁰Approximately 299,000 individuals (LIHEAP applicants and household members) could not be validated by SSA for the 260,000 applications. Certain applications had more than 1 individual whose identity could not be validated by the Social Security Administration (SSA). We used SSA's Enumeration Verification System (EVS) to determine the validity of the application information contained in the LIHEAP databases. EVS provides Social Security number validations to companies and agencies, including states' benefits-paying agencies.

¹¹GAO, *Hurricanes Katrina and Rita Disaster Relief: Prevention Is the Key to Minimizing Fraud, Waste, and Abuse in Recovery Efforts*, [GAO-07-418T](#) (Washington, D.C.: Jan. 29, 2007) and GAO, *Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between \$600 Million and \$1.4 Billion*, [GAO-06-844T](#) (Washington, D.C.: June 14, 2006).

involved with these applications totaled about \$3.9 million for the year we reviewed.

- Incarcerated individuals. For the four states that provided reliable incarceration data, we found 725 instances where the identities of individuals incarcerated in state prisons were used as applicants or household members. These identities were associated with about \$370,000 of LIHEAP benefits even though these individuals were in prison at the time of the application and thus ineligible for benefits.
- Federal employees exceeding income thresholds. Matching LIHEAP data with federal civilian payroll records, we identified about 1,100 federal employees whose federal salary exceeded the maximum income threshold at the time of their application. The benefit payments associated with those applications totaled \$671,000.

Because LIHEAP is a block grant program, the potential fraudulent and improper activities associated with these thousands of cases have an adverse effect on the program. Specifically, these fraudulent and improper activities will either reduce the amount of energy assistance provided to recipients or prevent legitimate recipients from receiving the energy assistance because the funds have been used.

Cases of Fraudulent or Improper Activity Expose Problems in LIHEAP

We identified and further investigated 20 cases that demonstrate how fraudulent or improper activity was perpetrated. Thirteen cases concern applications with invalid identity information, deceased individuals, incarcerated individuals, or federal employees receiving LIHEAP benefits. Seven cases are examples of other types of improper and potentially fraudulent activity, including individuals in residential facilities being used to improperly receive benefits and households receiving duplicate LIHEAP benefits. We are referring all 20 cases to the HHS Office of Inspector General (OIG) for further investigation. See table 1 for case details.

Table 1: Cases of Fraudulent and/or Improper LIHEAP Activity in Selected States

Case	Location	Nature of case	Case details
1	Cleveland, OH area	Deceased	<ul style="list-style-type: none"> • Ohio provided \$400 in benefits to an applicant using the identity of a deceased individual. • The applicant did not apply in person but instead mailed the application. The application file did not show that the applicant's identity was validated. • The applicant obviously doctored an SSA benefit letter using the identity of the deceased individual. Specifically, the font sizes on the date and amount were significantly different from the rest of the letter. • A death certificate showed that the name used in the application belonged to an individual who had died 4 years before the application was made.

Case	Location	Nature of case	Case details
2	Southwest NJ	Deceased	<ul style="list-style-type: none"> New Jersey provided \$500 in benefits to an applicant using the identity of a deceased individual. The applicant was in a public assistance program and thus the LIHEAP benefits were automatically approved. A death certificate showed that the name used in the application belonged to an individual who had died before benefits were approved.
3	Chicago, IL area	Deceased	<ul style="list-style-type: none"> Illinois provided \$540 in benefits to an applicant using the identities of two deceased individuals. The applicant's income would have exceeded the maximum income threshold without the additional household members. The applicant stated that she had been denied the previous 3 years for not having enough household members with her income. She stated that she added her dead mother and brother when she remembered she had their Social Security cards and numbers. Death certificates confirm that the dates of death were more than 4 years before the application date.
4	Cleveland OH area	Incarcerated	<ul style="list-style-type: none"> Ohio provided \$400 in benefits to an applicant using the identity of an incarcerated individual. The applicant did not apply in person but instead mailed the application. The application file did not show that the applicant's identity was validated. Prison records show that the incarcerated individual had been in prison for 2 years and was still incarcerated.
5	South NJ	Residential facilities	<ul style="list-style-type: none"> New Jersey provided \$3,200 in benefits to a nursing home facility whose director claimed to represent eight patients residing in a nursing home. These patients had their nursing home care paid by Medicaid. The nursing home director submitted the LIHEAP applications, stating that these funds were to offset heating and cooling costs for the eight patients. New Jersey LIHEAP officials stated that individuals living in a nursing home are not eligible to receive LIHEAP benefits. .
6	Northwestern MD	Residential facilities	<ul style="list-style-type: none"> Maryland provided \$3,600 in benefits. The applicant was residing in a nursing home at the time of the application according to Medicaid records. The address on the application for the benefits was not the nursing home, but instead a house owned by another individual. That same individual signed the LIHEAP application on behalf of the nursing home resident. Maryland LIHEAP officials stated that individuals living in a nursing home are not eligible to receive LIHEAP benefits.
7	Cleveland, OH	Federal employee	<ul style="list-style-type: none"> Ohio provided \$300 in benefits to a Department of Veterans Affairs (VA) employee whose \$58,000 salary exceeded the maximum income threshold of \$18,200. The VA employee did not state in the application that she worked for the federal government. The applicant provided documentation that purported to show about \$500 in monthly income.
8	Cleveland, OH	Federal employee	<ul style="list-style-type: none"> Ohio provided \$300 in benefits to a VA employee whose \$38,000 salary exceeded the maximum income threshold of \$18,200. The VA employee did not state in the application that he worked for the federal government. The applicant provided documentation that purported to show about \$750 in monthly income.

Case	Location	Nature of case	Case details
9	Trenton, NJ area	Federal employee	<ul style="list-style-type: none"> New Jersey provided \$1,500 in benefits to a U.S. Postal Service employee whose \$54,000 salary exceeded the maximum income threshold of \$31,500. The employee claimed that she earned half her actual monthly salary. To substantiate the income, she included a pay stub that covered 2 weeks but claimed it covered a month.
10	Chicago, IL	Federal employee	<ul style="list-style-type: none"> Illinois provided \$700 in benefits to the wife of a U.S. Postal Service employee whose \$84,000 salary exceeded the maximum income threshold of \$37,200. The applicant signed a waiver stating that the employee had zero income. The employee claimed he did not know that his wife applied for and received LIHEAP benefits. The LIHEAP application only required signature of the applicant and not household members.
11	Chicago, IL	Federal employee	<ul style="list-style-type: none"> Illinois provided \$840 in benefits to a U.S. Postal Service employee whose \$80,000 salary exceeded the maximum income threshold of \$31,800. The applicant signed a waiver stating that the employee had zero income. The employee admitted to our investigators that she was not entitled to benefits. She stated that "Times are tough and I needed the money." She saw "long lines" of applicants and wanted the "free money."
12	Detroit, MI area	Federal employee	<ul style="list-style-type: none"> Michigan provided \$3,900 in benefits to a U.S. Postal Service employee whose \$50,000 salary exceeded the maximum income threshold of \$43,560. The employee told our investigators that she was not employed when she applied. U.S. Postal Service salary records demonstrated and the U.S. Postal Service OIG confirmed that she was employed at that time.
13	Chicago, IL	Invalid identity information	<ul style="list-style-type: none"> Illinois provided \$1,000 in benefits to a household whose application contained invalid identity information. The identities for 7 of the 14 household members claimed on the application could not be validated with SSA's Enumeration Verification System. Six of these 7 identities had incorrect birthdates so that the household members would appear to be minor children and thus would not have to report income. The applicant's income would have exceeded the maximum income threshold without the additional household members who had invalid identity information. The applicant admitted to our investigators that she forged her husband's signature on the application. She claimed that the invalid identity information was the state's fault even though she signed the application with the invalid information. She also claimed that all 14 household members lived at the address at the time of the application. However, her husband stated in a separate interview that 4 of the listed household members did not live there at the time of the application.
14	MI	Duplicate LIHEAP benefits	<ul style="list-style-type: none"> Michigan provided \$2,200 in benefits, above the \$1,100 maximum benefit limit. The household automatically received duplicate benefits for being enrolled in Medicaid and SNAP.
15	MD	Duplicate LIHEAP benefits	<ul style="list-style-type: none"> Maryland provided \$1,400 in benefits to a household that submitted two separate applications for the same time period for the same address. One application was signed by the grandmother and included her daughter and her grandchildren as household members. The other application was signed by the daughter and only included her children.

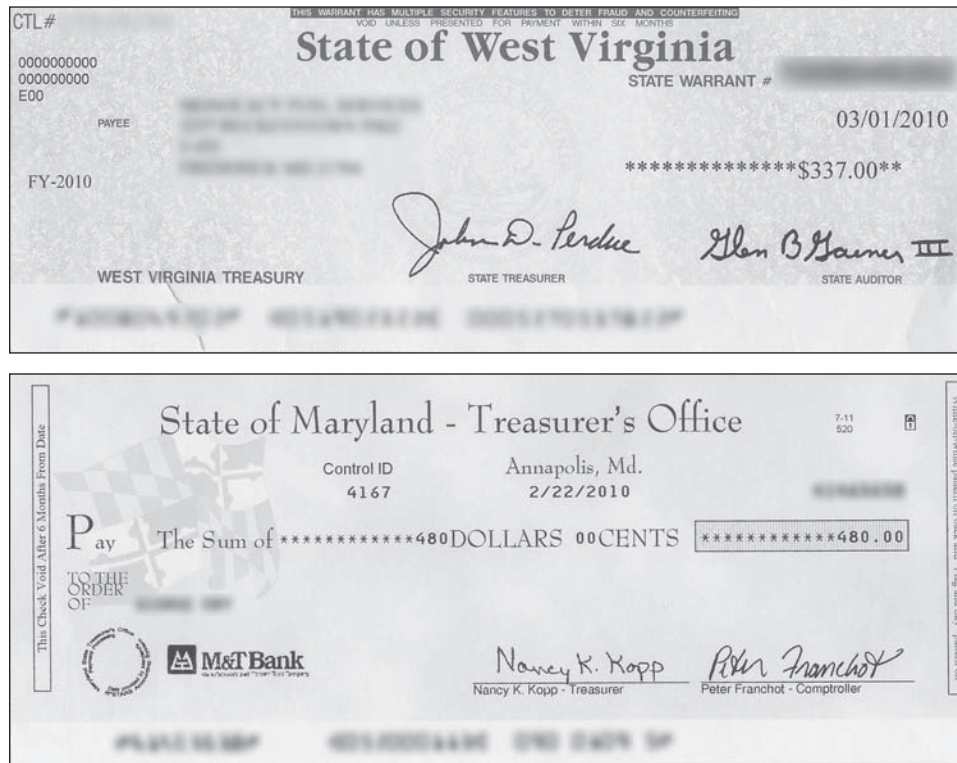
Case	Location	Nature of case	Case details
16	Richmond, VA area	Duplicate LIHEAP benefits	<ul style="list-style-type: none"> • Virginia provided three payments totaling \$2,400 to three separate applicants at the same address. • One of the LIHEAP applications was automatically approved because the applicant was enrolled in SNAP. Another application was submitted by a son who listed his mother as a household member. The third application was submitted by his mother with no other household members listed on the application. All three applications had the same last name.
17	Albany, NY	Incarcerated	<ul style="list-style-type: none"> • New York provided \$700 in benefits to a household that claimed two incarcerated family members as household members. • The applicant, a VA purchasing agent, needed the additional two household members to qualify for benefits based on her salary of about \$50,000.
18	MD & VA	Duplicate benefits	<ul style="list-style-type: none"> • Maryland and Virginia provided \$1,100 in benefits to one applicant claiming two separate households at once. • The residences are 280 miles apart. • The signatures on the two applications were distinctly different. • The applicant was convicted of fraud in 1999 and 2003.
19	VA	Incarcerated	<ul style="list-style-type: none"> • Virginia provided \$430 in benefits to an individual using the identity of an incarcerated person. • Prison records indicate that the individual was imprisoned during the time of the LIHEAP application date and had been in jail for more than 15 years. • The LIHEAP application file did not contain any proof of identity (i.e., driver's license or social security number).
20	VA	Residential facility	<ul style="list-style-type: none"> • Virginia provided \$570 in benefits to an applicant claiming a household member who, according to Medicaid records, resided in a long-term facility.

Source: States' LIHEAP, states' Medicaid Programs, states' incarceration records, SSA, U.S. Postal Service, and Department of Veterans Affairs.

Further, we identified several instances of LIHEAP program funds being disbursed to individuals who may have met the income threshold but had significant assets. Specifically, we identified several beneficiaries living in million-plus dollar houses in Potomac, Maryland, and the Chicago suburbs. Because neither state considers the amount of a household's assets in determining whether to provide energy assistance, owning high-dollar assets cannot be considered fraud or improper activity of the program in those states. Without access to bank and tax records, our investigations could not determine whether these individuals met the LIHEAP maximum income threshold. However, in one case, a beneficiary conducted her counseling service from her residence, according to an insurance company Web site. She lives in a \$2 million home in a wealthy Chicago suburb and owns a late 2000s Mercedes. She also won a multimillion dollar settlement in the mid 2000s that is currently under appeal. The applicant refused to speak with our investigators or the local police about her LIHEAP application.

Finally, our proactive testing further demonstrated LIHEAP's vulnerability to fraud. Posing as low-income residents, we used bogus addresses and fabricated energy bills, pay stubs, and other supporting documents to apply for energy assistance in West Virginia and Maryland. For three of the five cases, the LIHEAP payments were made to our fictitious energy company to pay the low-income resident's energy bills. Our investigators created this energy-related company to receive the energy assistance payments. For the other two cases, the low-income residents "lived" in a rental house where the landlord paid the energy assistance benefits as a part of the rent. For these two cases, the investigators created fictitious landlords who received the energy assistance payments. All five claims were processed and the energy assistance payments issued and mailed to our fake company and landlords (see fig. 1).

Figure 1: LIHEAP Checks Provided to GAO Based on Bogus Applications



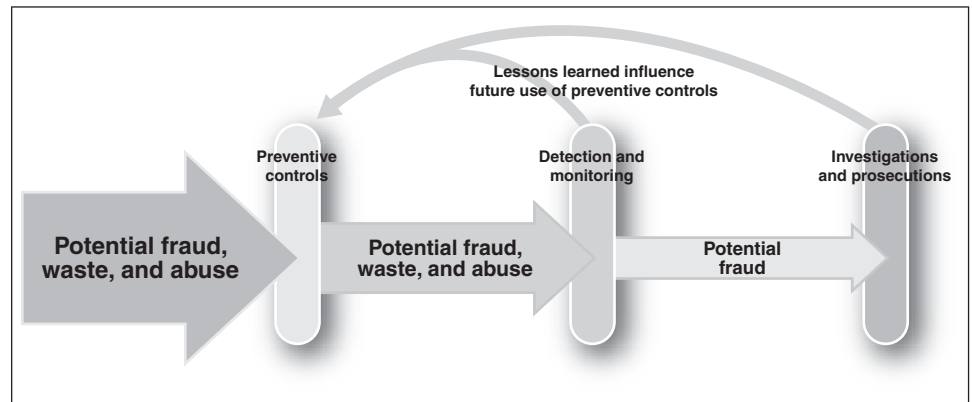
Source: GAO.

The Federal Government and Selected States Lack an Effective Fraud Prevention Framework for LIHEAP

LIHEAP’s internal controls framework has several key weaknesses at both the federal and state levels, as shown by GAO’s fraud prevention model. At the federal level, HHS has not provided specific guidance to states and other grantees for preventing fraud and abuse of LIHEAP. While grantees are primarily responsible for preventing fraud in LIHEAP, the LIHEAP statute establishes a number of oversight and enforcement responsibilities for HHS to ensure that grantees are properly applying the funds, including requiring the issuance of regulations to prevent waste, fraud, and abuse in LIHEAP.¹² HHS has issued regulations that require grantees to establish appropriate systems and procedures to prevent, detect, and correct waste, fraud, and abuse by clients, vendors, and administering agencies, but it has not provided any additional detailed guidance to the states or other grantees on how to develop an effective fraud prevention system.¹³

In addition, the selected states do not have an effective design for a comprehensive fraud prevention framework. In fact, the states are lacking key efforts in all three crucial elements of a well-designed fraud prevention system: preventive controls, detection and monitoring, and investigations and prosecutions.

Figure 2: GAO’s Fraud Prevention Model



Source: GAO.

¹² 42 U.S.C. § 8624(b).

¹³ 45 C.F.R. § 96.84(c).

Preventive controls. States lack essential preventive controls, which are the most efficient and effective means to minimize fraud, waste, and abuse. Social Security numbers are a key element in the identification of a person's identity. Our analysis of 1 year of LIHEAP data found that for the selected states about 100,000 individuals' records contained a blank or obviously invalid Social Security number. HHS's prior interpretation of the Privacy Act prohibited states from requiring recipients to provide Social Security numbers in applying for LIHEAP benefits.¹⁴ However, 42 U.S.C. § 405 allows states to require that individuals disclose their Social Security numbers for "the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction." We believe that LIHEAP falls within the scope of this statute. In response to our draft report, HHS revised its interpretation, and strongly suggested that states require Social Security numbers. Under HHS' prior interpretation, the states were not be able to validate individuals' identities and, without this basic control, we believe it cannot have an effective fraud prevention program.

The selected states do not have other measures that we believe are key to preventing fraud, as we discovered from our discussions with state officials (table 2). We believe that these are key preventive control measures that states should integrate in their application processes as long as the costs of these controls do not outweigh the benefits.

¹⁴According to HHS, Section 7 of the Privacy Act of 1974 (5 U.S.C. §552a note) prohibits states from denying an individual a benefit because of the individual's refusal to disclose his or her social security number (SSN), unless disclosure is required by federal statute. HHS states that because there is nothing in the LIHEAP statute requiring individuals to provide their SSN, states should not require that LIHEAP applicants provide it. A state may request that an applicant voluntarily provide an SSN, but if they do this, they must inform the person whether the disclosure is mandatory or voluntary, by what statutory or other authority such number is solicited, and what uses will be made of it.

Table 2: LIHEAP Fraud Prevention Control Measures: Selected States

Control measure	IL	MD	MI	NJ	NY	OH	VA
Validate applicant and household member information with SSA			X		X		
Check death record files							
Check for incarcerated individuals							
Verify reported income using outside source (e.g., New Hire Database)				X			
Check for long-term care patients			X				
Check data to prevent applicants and household members from receiving duplicate benefits	X	X	X	X	X	X	X

Source: Selected state officials.

Note: X denotes fraud prevention control measures to screen all or certain segments of LIHEAP applications according to statements made by state officials. We did not test whether the states actually had these measures in place or whether these measures were effective.

- Officials from five of the states said they did not validate applicant and household member information with SSA, which can verify a person’s Social Security number, name, and date of birth against its records.
- Officials from all seven states stated that they did not compare applicant and household information against death records prior to payment. Officials from these states stated that they did not check death records from SSA or their state’s Vital Statistics Office to determine if applicants or household members were deceased.
- Officials from all seven states said that they did not check LIHEAP applicants and household members against a listing of incarcerated individuals in state prisons.
- Six states generally did not verify self-reported income of LIHEAP applicants and household members with employment and wage databases (e.g., State Directory of New Hires). After our inquiries, officials from only one state said that they recently had begun to perform such a comparison, and only for those individuals who claimed zero income.
- Six states did not verify household member residency through checking long-term care facility records, according to officials. To be eligible for LIHEAP, an individual must be a member of a household that is eligible for the benefits and responsible for energy costs either directly or through their rent. As such, an individual residing over an extended period of time in a long-term care facility (e.g., nursing home) that is paid by Medicaid does not meet this requirement.
- System edit checks can be added to a grantee’s electronic database of LIHEAP beneficiaries to check for repeated use of a name, Social Security number, utility account number, or other identifying fields. Officials from all seven states said that they have some form of edit checks to prevent

duplicate benefits. However, the edit checks performed varied by the state and are not comprehensive in certain states.

Detection and monitoring. To be efficient in reaching similarly targeted recipients, certain states automatically enroll LIHEAP recipients based on the applicant or household member receiving benefits for certain federal programs (e.g., TANF or SNAP). Thus, LIHEAP relies on the preventive controls for these programs to ensure that only eligible applicants and/or household members are receiving the benefits. As a result, the LIHEAP's preventive controls will only be as effective as the preventive controls for the federal program (e.g., TANF or SNAP) from which the recipient originally received benefits. Monitoring and detection within a fraud prevention program involves data mining for fraudulent and suspicious applicants and evaluating vendors and employees to provide reasonable assurance that they continue to meet program requirements and follow program protocols. The selected states generally do not match their beneficiary files to third-party databases, such as State Directory of New Hires, to determine continued eligibility, nor do they ensure that applicants are not acting as their own vendor.

Investigation and prosecution. Several state officials stated that they generally did not pursue investigations and prosecutions involving LIHEAP. The aggressive investigation and prosecution of individuals who defraud the government is the final component of an effective fraud prevention model. Schemes identified through investigations and prosecution can also be used to improve the fraud prevention program. However, pursuing recipients who commit fraud can be costly and time-consuming. The amounts of energy assistance benefits to individuals are relatively small, which may deter prosecution of the cases by federal or state prosecutors. Because of this, it is important to have strong controls to prevent the occurrence of fraud.

Conclusions

Without an adequate fraud prevention framework, LIHEAP in the seven states is vulnerable to individuals willing to commit fraudulent and improper activities to receive energy assistance benefits. Given that the states are responsible for administering LIHEAP and establishing the proper controls, each state needs an effective fraud prevention framework to provide reasonable assurance of the integrity of its program. Without these proper controls, energy assistance benefits will continue to be provided to ineligible individuals, which limits the help that can be provided to those individuals who meet program requirements. However,

the responsibility for actively partnering with and providing such guidance to the states rests with HHS.

Recommendations for Executive Action

To establish an effective fraud prevention system for the LIHEAP program in the seven states, the Secretary of HHS should evaluate our findings and consider issuing guidance to the states addressing the following six recommendations:

- Require applicants and household members to provide Social Security numbers for themselves and all members of the household in order to receive energy assistance benefits.
- Evaluate the feasibility (including consideration of any costs and operational and system modifications) of validating applicant and household member identity information with SSA.
- Develop prepayment edit checks to prevent individuals from receiving duplicate benefits.
- Evaluate the feasibility of using SSA's or states' vital record death data to prevent individuals using deceased identities from receiving benefits.
- Evaluate the feasibility of preventing incarcerated individuals from improperly receiving benefits, for example, by verifying Social Security numbers with state's prisoner information.
- Evaluate the feasibility of using third-party sources (e.g., State Directory of New Hires) at a minimum on a random or risk basis, to provide assurance that individuals do not exceed maximum income thresholds.

Agency Comments and Our Evaluation

HHS and SSA provided written responses to our request for comments. Seven of the eight states covered in our report also provided written responses. Letters with comments from HHS, SSA, Illinois, Michigan, New Jersey, New York, Ohio, Virginia, and West Virginia are reprinted and discussed in further detail, when applicable, in the appendices. Maryland stated that it did not have any comments on the report. HHS and certain states also provided technical comments, which we incorporated as appropriate. Responses from HHS, SSA, and the states are reprinted in appendixes II–X.

HHS agreed with all our recommendations, stating that it had begun to take action on some of them since reviewing a draft of this report. While the agency stated that the Privacy Act prevents it from forcing states to require Social Security numbers, it issued a memorandum encouraging states to do so, as well as implement our other recommendations. HHS also stated that it planned to take additional steps to deter ineligible payments and prevent fraud, waste, and abuse in the program, including

requesting that states address key elements of fraud prevention systems in their “LIHEAP Program Integrity Plan” and reviewing those systems. We strongly support these additional steps and encourage HHS to follow through on these additional actions.

In its written comments, SSA did not agree with our recommendation that the Secretary of HHS evaluate the feasibility of validating applicant and household member identity information with SSA. SSA stated that it could validate applicants for LIHEAP, but not other household members, because “the compatibility requirement of the Privacy Act, 5 U.S.C. § 552a(b)(3), only permits us to disclose and verify information to determine an applicant’s entitlement to an income maintenance program.” Section 552a(b)(3) of the act allows disclosure of information for a routine use published by the agency in the *Federal Register*. However, the actual language of the routine use that SSA published allows disclosure “to Federal, State, or local agencies (or agents on their behalf) for the purpose of validating SSNs those agencies use to administer cash or non-cash income maintenance programs or health maintenance programs” as a routine use in which disclosure is allowable.¹⁵ We believe that this language is broad enough to include validation of household members who are beneficiaries of LIHEAP assistance.

Illinois, New Jersey, New York, Ohio, and West Virginia expressed difficulty in obtaining access to SSA records to validate Social Security numbers and verify income. We support any initiatives, such as EVS and State OnLine Query, that are allowed by federal law to provide the states the necessary information from SSA. Lack of validation of identity and income information were two of the major problems that we identified in our investigation of LIHEAP.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. We will then send copies of this report to other interested congressional committees, the Secretary of HHS, the administrator of SSA, and the LIHEAP program offices of Illinois, Michigan, New Jersey, New York, Ohio, Virginia, and West Virginia. The report also is available at no charge on the GAO Web site at <http://www.gao.gov>.

¹⁵ 74 *Fed. Reg.* 62866 (Dec. 1, 2009).

If you or your staff have any questions about this report, please contact me at (202) 512-6722 or kutzg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large, stylized initial "G".

Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations

Appendix I: Scope and Methodology

To identify indications of fraud and abuse in the Low Income Home Energy Assistance Program (LIHEAP),¹ we obtained and analyzed benefit files for the latest year available for seven selected states: Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia.² These states were selected primarily based on the magnitude of total LIHEAP funding and the availability of a centralized database of applicants and benefits. These states comprised about a third of all LIHEAP spending in federal fiscal year 2009. Our analysis focused on LIHEAP applications that were made using invalid identity information—such as invalid Social Security numbers, names, or dates of birth—or the identities of individuals who were deceased or incarcerated. We compared LIHEAP data to data from the Social Security Administration (SSA) and state prisoner records.³ We also used federal salary data from the U.S. Department of Treasury, the U.S. Postal Service, and the Defense Finance and Accounting Service to determine whether civilian federal employees receiving LIHEAP benefits earned incomes above program thresholds.

To illustrate cases of fraudulent, improper, and abusive activity in LIHEAP, we identified 20 cases for detailed audit and investigation. The 20 cases were chosen using a nonrepresentative selection approach based on our judgment, data mining, and a number of other criteria that provided indications of fraud and abuse. For example, to identify case study examples of applicants or household members living in a long-term care facility at the time of application, we compared the LIHEAP data to the Medicaid long-term care claims files for the selected states. We requested or obtained the application for LIHEAP benefits from the states for each case and performed additional searches of criminal, financial, and public records and obtained documentation (e.g., death certificates) to substantiate cases of fraud and abuse. We also interviewed several LIHEAP beneficiaries. In addition, we conducted proactive testing of LIHEAP controls in Maryland and West Virginia. We applied for LIHEAP benefits using bogus addresses and fabricated energy bills, pay stubs, and other supporting documents, which included a Social Security number of a deceased individual. In addition, we created an energy provider and

¹The weatherization portion of the LIHEAP program was beyond the scope of our investigation and therefore not included in our analysis.

²The files cover July 2008 through June 2009 for Illinois, Maryland, Michigan, New Jersey, Ohio, and Virginia, and October 2007 through September 2008 for New York.

³One of the states did not provide the identities of all household members; thus, the overall magnitude of identity-related fraud is understated in our analysis.

landlords using phony documents to receive LIHEAP benefits on behalf of our fictitious applicants.

To identify potential weaknesses in the design of key aspects of LIHEAP's internal controls framework, we interviewed LIHEAP officials from the selected states and HHS. In addition, we obtained and reviewed the selected states' LIHEAP policies and procedures. We used GAO's fraud prevention model as criteria for an effective fraud prevention program, but did not test the effectiveness of LIHEAP's controls.

Data Reliability

To determine the reliability of the seven state LIHEAP applications and benefit payment databases, we interviewed state officials responsible for the quality of those databases. In addition, we compared the total number of households served by each state for 1 year against reports each state provided to HHS. Finally, we performed electronic testing to determine the reasonableness of specific data elements in the databases that we used to perform our work.⁴ Based on our discussions with agency officials responsible for the quality of the databases, reconciliation to independent reported information, and our own electronic testing, we concluded that the data elements used for this report were sufficiently reliable for our purposes.

We performed our work from June 2009 through June 2010 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. We conducted our related investigative work in accordance with standards prescribed by the Council of the Inspectors General on Integrity and Efficiency.

⁴Data validation edits include (1) tests to see if numeric fields contain nonnumeric data and (2) tests on a value to see if it falls within the range established for the data element.

Appendix II: Comments from the Department of Health and Human Services' Administration for Children and Families

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
for Legislation

Washington, D.C. 20201

Greg Kutz
Managing Director
Forensic Audits and Special Investigations
U.S. Government Accountability Office
441 G Street N.W.
Washington, DC 20548

MAY 11 2010

Dear Mr. Kutz:

Enclosed are comments on the U.S. Government Accountability Office's (GAO) report entitled: "Low Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed" (GAO-10-621).

The Department appreciates the opportunity to review this report before its publication.

Sincerely,

Andrea Palm
Acting Assistant Secretary for Legislation

Enclosure

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: GREATER FRAUD PREVENTION CONTROLS ARE NEEDED (GAO-10-621)

The Department appreciates the opportunity to comment on the Government Accountability Office (GAO) draft report.

GAO Recommendations

To establish an effective fraud prevention system for the LIHEAP program in the seven states, the Secretary of HHS should evaluate our findings and consider issuing guidance to the states addressing the following six recommendations:

- Require applicants and household members to provide Social Security numbers for themselves and all members of the household in order to receive energy assistance benefits;
- Evaluate the feasibility (including consideration of any costs, operational and systems modifications) of validating applicant and household member identity information with SSA;
- Develop prepayment edit checks to prevent individuals from receiving duplicate benefits;
- Evaluate the feasibility of using the SSA's or state vital record's death data to prevent individuals using deceased identities from receiving benefits;
- Evaluate the feasibility of preventing incarcerated individuals from improperly receiving benefits, for example, by verifying Social Security numbers with state's prisoner information; and
- Evaluate the feasibility of using third-party sources (e.g., State Directory of New Hires) at a minimum on a random or risk basis, to provide assurance that individuals do not exceed maximum income thresholds.

HHS Comments

HHS has no tolerance for fraud or improper payments in the programs we administer. While as GAO notes, under the structure of the block grant, States, Tribes and Territories have broad discretion in designing their program integrity systems in administering the program, HHS has a responsibility as the Federal agency to ensure that appropriate procedures are in place to prevent, detect and correct waste, fraud and abuse. HHS agrees with and takes very seriously the recommendations in the GAO study on LIHEAP, and intends to use this report to work with the States to strengthen controls in the implementation of this vital program that assists millions of low-income families in meeting their home heating and cooling needs.

HHS has initiated steps to address many of the findings and recommendations in the GAO report and ensure that effective preventive controls, fraud detection, monitoring, and prosecution systems exist at all responsible levels of the LIHEAP program's administration to deter ineligible payments and prevent fraud, waste or abuse in the program. Below, we identify the actions undertaken to date, and the long-term strategies to ensure program integrity.

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: GREATER FRAUD PREVENTION CONTROLS ARE NEEDED (GAO-10-621)

Social Security Numbers

HHS recognizes the complexity of the existing Federal authorities that govern Social Security Numbers (SSNs). We want to assist States and work with them to ensure that the critical resources of the LIHEAP program are provided appropriately to the households that most need them. As such, we have conducted an analysis of current policy and applicable federal provisions. While HHS remains bound by the Privacy Act provisions (Section 7 of the Privacy Act of 1974 [5 USC 552a note]) and cannot compel States to require Social Security Numbers for LIHEAP without the specific Federal statutory authority to do so, we have concluded that States have discretionary authority to require SSNs in the administration of their LIHEAP programs.

Pursuant to that review and conclusion, HHS recently issued an Information Memorandum (LIHEAP-IM-2010-06 issued on May 5, 2010) that strongly encourages State LIHEAP administrators to require SSNs of LIHEAP applicants in order to validate that individuals and households receiving benefits are eligible and in need of these vital services. Our specific guidance provides that:

- States may require that any individual applying for LIHEAP disclose his/her Social Security Number, as part of the application, to validate identity and as a condition for the receipt of benefits;
- States may require the Social Security Numbers of all household members reported in the LIHEAP application in order to qualify the household for any LIHEAP benefit; and
- States may deny assistance to individuals and households upon a refusal to provide Social Security Numbers.

HHS also strongly encourages States to establish and implement policies and procedures governing individual program application requirements to be used in requiring Social Security Numbers for recipients in LIHEAP, including the accessibility to verification tools by local administering agencies that administer LIHEAP benefits. States are to ensure that adequate procedures are in place for the safeguarding of such information in the administration of the program.

Access to Governmental Systems

As part of this Information Memorandum, we also instructed States, within Federal and State authorities, to use existing government and other benefit systems to crosscheck SSNs and validate eligible applicants. States are instructed to take measures to ensure that payments are made on behalf of eligible households, including programs that are administered by State or local government agencies, and non-profit organizations operating on behalf of the State program. We urged States to explore using SSNs to access the following:

- The Social Security Administration's Enumeration Verification System to confirm identity of applicants and household members;

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: GREATER FRAUD PREVENTION CONTROLS ARE NEEDED (GAO-10-621)

- State directories of new hires or similar systems to confirm income eligibility;
- Prisoner databases to ensure that applicants and individuals listed as household members are eligible recipients; and
- Other databases that may be used to confirm applicant and household eligibility, such as State vital records registries.

Under the LIHEAP statute, States have the flexibility to serve households that have at least one member who receives assistance under the Temporary Assistance to Needy Families (TANF) program, the Supplemental Nutritional Assistance Program (SNAP), Supplemental Security Income (SSI), and certain needs-tested Veteran's benefits. For households where LIHEAP eligibility is contingent upon this "categorical eligibility," we advised States to establish procedures to ensure that such eligibility provides sufficient verification of an applicant's or household member's identity, income status, and other eligibility criteria that may be established by the State.

FY 2011 LIHEAP Plan Supplement

States have always been required to have systems in place to prevent fraud, but we intend to require significantly expanded detail from States on these efforts in FY 2011. We plan to issue an Action Transmittal to States, to obtain information on their systems for ensuring program integrity as a supplement to their FY 2011 State Plans (due to HHS on September 1, 2010).

HHS plans to request that each State provide their "LIHEAP Program Integrity Plan" to specifically address a number of key elements to an effective fraud prevention system. In response to the findings in the GAO report and other purposes, HHS will develop a framework and checklist, based in part on this GAO report, which States may use to provide this information. LIHEAP grantees will be strongly advised to examine their current procedures for LIHEAP program integrity and will be asked to describe and/or enhance the measures for preventing and detecting vulnerabilities in the administration of their programs. HHS will look for descriptions in the Grantee's Plan Supplement that clearly address the key elements of a sound integrity plan and provide technical assistance as necessary, with particular respect to:

- Applicant and household verification measures for identity (including the use of Social Security Numbers in applications) and income employed by the State and its local administering agency;
- Controls exist that all recorded transactions actually occurred, are valid in relation to the applicant household, and were properly approved in accordance with the State's eligibility and authorization policy;
- Energy vendor authenticity measures are employed by the State and its local administering agency; and
- Policies and procedures are in place by the responsible State agency and local administering agencies that identify, assess and deter improper payments, including via the prosecution of cases of improper payments made due to fraud or abuse.

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: GREATER FRAUD PREVENTION CONTROLS ARE NEEDED (GAO-10-621)

Strategic Plan for Further Actions

HHS will initiate additional efforts on program integrity in the months ahead. Some of these steps will be immediate, while others will be implemented on an ongoing basis:

State Notification and Collaboration

After the GAO report is released, ACF will issue a link to a copy of the report on the LIHEAP website. We will direct States to the Report, emphasize the seriousness of the findings, and provide details on the Office of Community Services (OCS) plan to respond to the recommendations, in order to assist States and gain their input on proposed activities.

Meet with Grantees to Discuss Program Integrity

ACF will present a strong message on LIHEAP program integrity at the National Energy and Utility Affordability Conference (NEUAC) in June, at two federal sessions attended by LIHEAP Grantees (States, Territories, and Tribes and Tribal organizations) and others. We will also discuss program integrity at conferences attended by LIHEAP grantees in June and August.

Direct States to Take Immediate Corrective Actions

ACF will work with the HHS Office of Inspector General to provide any information or support necessary to review and pursue the 20 cases referred for disallowance or other actions. In addition, we will work with the 7 States that were part of the GAO study to determine corrective actions and report that progress on the LIHEAP website.

Regular Engagement with Grantees on Program Integrity

ACF will conduct quarterly conference calls and/or webinars with LIHEAP grantees to discuss fraud prevention. The agency will establish a work group or task force devoted to how States can more effectively prevent fraud and abuse under State LIHEAP programs. We will also begin gathering and analyzing the information obtained from the State Plan Supplements and identifying "best practices" that will subsequently be shared and circulated with all States.

Determining Compliance with Program Integrity Measures

ACF will develop a set of detailed questions on program integrity that will be integrated into the LIHEAP monitoring tool that will be used by the review team during the course of an on-site compliance review. The reviews will place a renewed emphasis, looking at states' systems for fraud prevention, and ensuring that proper controls are in place in accordance with the LIHEAP Plan Supplement.

Conclusion

HHS has initiated a thorough examination of the steps that can be taken to ensure program integrity. We are using the GAO study and recommendations to identify and address specific challenges in program integrity as it relates to improper payments, detection, monitoring and prosecution. Where there is insufficient authority for Federal direction, we will recommend opportunities for statutory change.

**TECHNICAL COMMENTS OF THE DEPARTMENT OF HEALTH AND
HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY
OFFICE'S (GAO) DRAFT REPORT ENTITLED, "LOW INCOME HOME
ENERGY ASSISTANCE PROGRAM: GREATER FRAUD PREVENTION
CONTROLS ARE NEEDED (GAO-10-621)**

Number of Applications and Percent of Households

As a technical matter, we are not clear about the households represented by the 260,000 applications that contained invalid identity information in "9 percent of households" in the seven States, as identified in the draft report and Statement of Facts provided to HHS. The report is not clear on the total number of cases reviewed. These figures also do not match up with the number of fraud cases reported for deceased individuals (11,000), prisoners (700), and federal employees (1,100), and the number of individuals (one-third of 260,000) that did not supply SSNs that GAO enumerates in the draft report. It would be helpful to HHS to receive specificity on the numbers cited in the draft report to better understand the breakout of the 260,000 applications, so that we can better respond to the issues and assist the seven States in question more effectively going forward.

Use of Assets Tests

The report cites individuals in two States having significant assets (million dollar homes and expensive cars), though GAO acknowledges these individuals may have met the income threshold in order to receive LIHEAP benefits. GAO cites the lack of an assets test requirement in both States as part of the eligibility determination process, which may have led to improper activity in these particular cases, though no further details are provided.

HHS does not have explicit authority to require States to implement asset tests for LIHEAP applicants; however, as noted in the report, States have the discretion to implement assets tests as part of their eligibility requirements. Federal law governing LIHEAP benefits limits eligibility based only on participation in other specified Federal means-tested benefits or income level, as opposed to asset level. HHS would need to seek legal authority to require LIHEAP applicants to meet a certain asset test to be considered eligible for services. We would like to know whether GAO is recommending that HHS be given statutory authority to require asset tests in State LIHEAP programs. HHS also asks that GAO consider removing this section in the draft report, unless there is a specific recommendation to be made with regard to assets tests.

Types of Fraud

In its discussion of payments to fabricated energy companies, the draft report is unclear whether these cases involved fraud committed by individuals, fraud committed by unregulated vendors (and regulated vendors, if applicable), or both. The report cites erroneous information contained in LIHEAP applications, but it would be helpful to our response efforts to know the extent to which applications were falsified by the applicants themselves, or misrepresented by energy vendors to include deceased or incarcerated individuals, or other fraudulent client information.

See comment 1.

The following are GAO's comments on the Department of Health and Human Services' Administration for Children and Families' letter dated May 11, 2010.

GAO Comments

1. States may set an asset test for determination of LIHEAP eligibility criteria. In the report, we state that Illinois and Maryland did not have this requirement. As such, owning high-dollar assets cannot be considered fraud or improper activity of the program. We are not making a recommendation on whether HHS should seek legal authority to require asset tests in State LIHEAP programs.

Appendix III: Comments from the Social Security Administration



SOCIAL SECURITY
The Commissioner

May 10, 2010

Mr. Gregory Kutz
Managing Director, Forensic Audits
and Special Investigations
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Kutz:

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) draft report, "Low Income Home Energy Assistance Program: Greater Fraud Prevention Controls are Needed" (GAO-10-621). Although you focused your recommendations on the Department of Health and Human Services, we have several comments for your consideration. Our comments on the report are enclosed.

If you have any questions, please contact me or have your staff contact Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

/s/

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: GREATER FRAUD PREVENTION CONTROLS ARE NEEDED" (GAO-10-621)

While this study relates to a program that is administered by the Department of Health and Human Services (HHS), the Social Security Administration (SSA) is mentioned prominently in the report. We offer the following comments.

General Comments

In the report you recommend that HHS provide guidance to States requiring them to verify Low Income Home Energy Assistance Program (LIHEAP) applicants' Social Security number (SSN) information with our agency. We note that many States already do so. In the study you examined activity for seven States: Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia. We currently have formal information exchange agreements in place with five of those States (all but Illinois and New Jersey) specifically for the purpose of verifying SSNs for LIHEAP activity. We signed every one of these agreements with the respective States during the last year, and they were negotiated under the terms of the Computer Matching and Privacy Protection Act (CMPPA) of 1988, 5 U.S.C. § 552a(o) et seq, which amended the Privacy Act. Thus, many States already have the capability to verify SSNs during the LIHEAP application process. In addition, the verification provides a death indicator.

The CMPPA provides certain protections to persons applying for, or receiving, Federal benefits. Specifically, applicants and beneficiaries must be notified that their information is subject to matching, and persons retain certain due process rights before suspending, terminating, or denying their benefits.

Comments on Recommendations

Recommendation 2

Evaluate the feasibility (including consideration of any costs, operational, and system modifications) of validating applicant and household member identity information with SSA.

Comment

We disagree. As noted above, we already have matching agreements in place for five of the seven States GAO reviewed. Under the Privacy Act, however, we can only verify SSNs of applicants, and not household members. The compatibility requirement of the Privacy Act, 5 U.S.C § 552a(b)(3), only permits us to disclose and verify information to determine an applicant's entitlement to an income maintenance program. Verifying the SSNs of other household members would require their consent. The LIHEAP is not administered under the Social Security Act and thus we may have to establish a reimbursable agreement to provide the requested data.

Recommendation 4

Evaluate the feasibility of using SSA's or State vital record's death data to prevent individuals using deceased identities from receiving benefits.

Comment

We agree. To the extent we have death data reported to us, our SSN verification routine includes a death indicator. Some of our death data is reported directly by States and may be disclosed as permitted by section 205(r) of the Social Security Act, 42 U.S.C. § 405(r).

Appendix IV: Comments from State of Illinois Department of Commerce and Economic Opportunity

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



Pat Quinn
Governor

Illinois Department of Commerce and Economic Opportunity

Warren Ribley
Director

May 10, 2010

Matthew Valenta
Assistant Director
United States Government Accountability Office
1999 Bryan Street, Suite 2200
Dallas, Texas 75201

Dear Mr. Valenta:

The United States Government Accountability Office (GAO) Forensic Audits and Special Investigations Team was asked to audit the Low Income Home Energy Assistance Program (LIHEAP) for indications of fraud, waste, and abuse. The State of Illinois is one of the seven states that was selected for the review. A draft report with the GAO's recommendations was provided to the Department of Health and Human Services (HHS) and the seven states involved in the investigation for review and comments.

The State of Illinois respectfully submits the following comments for your review and consideration:

The report identified 20 cases of fraudulent and/or improper LIHEAP activity found in the selected states. Four cases were identified in the State of Illinois concerning applications with deceased individuals, federal employees receiving LIHEAP benefits and, invalid identity information. As part of the requirements for eligibility determination, Illinois policy states that all applicants over the age of one must provide a valid Social Security Number (SSN) in addition to income documentation. Hard copy proof must be obtained and may include a copy of the social security card itself, a letter or print out from Social Security Administration, or any other form of government-issued identification that shows both the name and Social Security number. This requirement has allowed the State to improve the verification of the program recipients' social security numbers.

The investigation also found cases involving federal employees receiving LIHEAP benefits, even though they exceeded the LIHEAP income threshold. According to the report, these recipients claimed zero income. The Illinois Policy states that households claiming zero income must provide documentation (for each member claiming zero income) and the applicant will be required to complete and sign the Zero Income Affidavit form for households members age 18 or older. LIHEAP Local Agencies are strongly encouraged to request the following documentation in documenting a zero income client: denial letter for social security benefits, denial letter for unemployment compensation benefits, denial letter

Internet Address <http://www.commerce.state.il.us>

620 East Adams Street
Springfield, Illinois 62701-1615

217/782-7500
TDD: 800/785-6055

James R. Thompson Center
100 West Randolph Street, Suite 3-400
Chicago, Illinois 60601-3219

312/814-7179
TDD: 800/785-6055

Printed on Recycled and Recyclable Paper

2309 West Main, Suite 118
Marion, Illinois 62959-1180

618/997-4394
TDD: 800/785-6055

See comment 1.

for worker's compensation benefits, and proof of application for Food Stamps, TANF and, AABD.

Despite the State's efforts to verify social security numbers and income, it has been difficult for the State to verify the accuracy of the social security cards and income information (especially in zero income households) without having access to the State OnLine Query (SOLQ) provided by the Social Security Administration (SSA). We suggest that HHS work with the SSA to obtain SSA's approval to allow states and their sub-grantees to use the SOLQ database to help in ensuring the accuracy of LIHEAP recipients' income and social security numbers.

Our understanding is that states would be able to use SOLQ for LIHEAP if the Commissioner of the Social Security Administration were to agree to make this database system available for this purpose. Enabling states to use an available federal database system would be invaluable in eligibility determination for federally funded programs like LIHEAP. Access to this system would be a tremendous tool for states to prevent potential fraud and abuse in the LIHEAP. The State of Illinois pursued access to SOLQ with the Illinois SSA office a few years ago for this purpose, but the request was denied. The State of Illinois will be pursuing access to external databases that will assist in the validation of applicant data such as State directories of new hires to confirm income eligibility, prisoner databases to ensure that applicants and individuals listed as household members are eligible recipients and, other databases that may be available to confirm applicant and household eligibility. The success of the verification will rely on whether these databases will be available to our local agencies since LIHEAP applications are taken in real-time by the State's database system.

Illinois utilizes a database system called LIHEAP.net for LIHEAP application entry, benefit calculation and payment. Illinois is currently assessing the possibility of interfacing LIHEAP.net and the SOLQ database system so that we and our sub-grantees may prevent fraud and abuse at the time of the application intake.

See comment 2.

The report also identified a case involving a woman who lives in a \$2 million dollar home in Illinois who received LIHEAP benefits during the last program year. The case relates to the issue of LIHEAP funds being disbursed to individuals that may have met the income threshold but had significant assets. As indicated in the report, the State of Illinois does not consider the amount of the household's assets in determining eligibility for LIHEAP. Instead, Illinois bases eligibility determination on the last 30 days of household income. We request that GAO provide us with the identity of the household in this case for further review by Illinois LIHEAP staff.

**Appendix IV: Comments from State of Illinois
Department of Commerce and Economic
Opportunity**

The State conducts regular programmatic and fiscal monitoring reviews of all the State's sub-grantees. If potential fraud/abuse is identified by staff, an internal investigation is conducted and corrective actions are identified and requested from the sub-grantee. If staff suspect fraud or abuse, the facts are documented and provided to the Department's Legal Bureau for referral to the proper authorities for potential prosecution.

The Department recently implemented a Fraud Risk Assessment Policy in which LIHEAP assesses potential fraud risks each year and undertakes corrective action when an internal control deficiency is identified or if the residual fraud risk is higher than an acceptable level.

The State of Illinois is committed to improving the verification system utilized in the Illinois LIHEAP program. We pride ourselves on innovation and are open to considering GAO recommendations and best practices identified in other states by both the GAO and HHS. We look forward to enhancing our partnership with HHS and working on an improved fraud prevention system for the LIHEAP.

Please do not hesitate to contact Maria Gallardo or me with any questions or further need for information.

Sincerely,



Larry Dawson
Deputy Director

Cc: Yolanda J. Butler
Nick St. Angelo
Warren Ribley
Scott Harry
Maria Gallardo

The following are GAO's comments on the State of Illinois Department of Commerce and Economic Opportunity's letter dated May 10, 2010

GAO Comments

1. See our discussion in the "Agency Comments and Our Evaluation" section.
2. States may set an asset test for determination of LIHEAP eligibility criteria. In the report, we state that Illinois did not have this requirement. As such, owning high-dollar assets cannot be considered fraud or improper activity of the program. Without access to bank and tax records, our investigation could not determine whether these individuals met the LIHEAP maximum income threshold. As requested, we will be referring this case to the State of Illinois Department of Commerce and Economic Equality for further investigation.

Appendix V: Comments from State of Michigan Department of Human Services

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

May 5, 2010



ISMAEL AHMED
DIRECTOR

Matthew Valenta, Assistant Director
Financial Management and Assurance
General Accountability Office-Dallas
1999 Bryan Street
Suite 2200
Dallas, Texas 75201

Dear Mr. Valenta:

Thank you for the opportunity to comment on the draft Low Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed report. This was compiled as a result of a recent audit of the LIHEAP program by the Government Accountability Office (GAO). This audit was conducted in seven states, including Michigan. The purpose of the audit was to assess the risk of fraud and improper payments in LIHEAP. The report contains observations as well as recommendations. The following comments are Michigan's view of the results and may not reflect the views of the other states involved in the audit.

In the course of the audit, 16 Michigan cases were reviewed by the auditor(s). Two of the cases were cited as showing fraudulent and/or improper LIHEAP activity.

- One case was cited because the applicant stated she was not employed at the time of application. The auditors subsequently discovered the applicant was an employee of the U.S. Postal Service. This was discovered through federal salary data from the U.S. Postal Service. This is not a resource available to our state at this time. We feel the caseworker acted properly based on the information available, but agree it is appropriate to pursue a fraud referral on this client.
- The second case for which we were cited was due to a client receiving the maximum benefits available on two different cases. In our previous Legacy computer system, this could occur if the client was issued more than one case number for different types of assistance. For example, a client might have one case number for his/her food assistance benefits and another case number for his/her medical assistance. Our Legacy system tracked payments by case number which is why this overpayment was able to occur—maximum benefits were issued on each case number and the system didn't catch it was the same client. However, we would like it noted our new BRIDGES computer system now tracks by recipient identification number for all members, rather than by case number. Therefore, we believe this particular issue is resolved.

235 SOUTH GRAND AVENUE • P.O. BOX 30037 • LANSING, MICHIGAN 48909
www.michigan.gov • (517) 373-2035


See comment 1.

Matthew Valenta
May 5, 2010
Page 2

In general, I believe Michigan makes every effort to ensure the integrity of the LIHEAP program. We are one of the states that currently validate applicant and household member information with the Social Security Administration (SSA). In addition, Michigan does pursue investigations and prosecutions when instances of fraud are discovered, regardless of the amount. If a provider is involved in fraudulent activity, that provider is disenrolled from our system and we pursue a refund of any expended funds. If the fraud involves a client, we pursue recoupment from the client.

We look forward to receiving additional guidance from the Department of Health and Human Services on the concerns raised in the report. Again, Michigan appreciates the opportunity to comment on this audit and will continue to do all in our power to safeguard the taxpayer's funds.

Sincerely,



Ismael Ahmed

c: Nick St. Angelo via email
Susan Kangas via email
Barbara Anders via email

The following are GAO's comments on the State of Michigan Department of Human Services' letter dated May 5, 2010.

GAO Comments

1. In our report we cite 2 cases from Michigan. Based on our data mining, all 16 Michigan cases reviewed in our audit had indications of fraud or improper benefits. However, because we did not investigate in detail the other 14 cases, we cannot conclude whether fraudulent or improper activities were associated with those cases.

Appendix VI: Comments from State of New Jersey Department of Community Affairs

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



State of New Jersey
DEPARTMENT OF COMMUNITY AFFAIRS
101 SOUTH BROAD STREET
PO Box 800
TRENTON, NJ 08625-0800

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

LORI GRIFA
Acting Commissioner

May 7, 2010

Mr. Matthew Valenta, Assistant Director
US Government Accountability Office
Forensic Audits & Special Investigations

Dear Mr. Valenta,

The New Jersey Department of Community Affairs (NJCA) would like to thank you for the opportunity to provide comments on the draft report (GAO-10-621) titled "LIHEAP - Greater Fraud Prevention Controls Are Needed" and tentatively scheduled for issuance during June 2010. Comments are provided below on the Recommendations for Executive Action section of the report, as well as NJCA efforts and actions with regard to enhancing our Fraud Prevention Framework for the program.

Recommendations for Executive Action:

- Require applicants and household members to provide Social Security numbers for themselves and all members of the household in order to receive energy assistance benefits.

Comment: This is a requirement of the NJ LIHEAP program. Specific guidance issued by US-HHS (LIHEAP Information Memorandum 2010-6) on May 5, 2010 will also be reviewed to ensure that controls and program requirements in NJ are consistent with the directives outlined in this document.

- Evaluate the feasibility of validating applicant and household member Social Security numbers with the SSA.

Comment: We support having the SSA provide the NJ LIHEAP program with access through the SSA/EVS system or other similar information exchange processes to enhance controls and reduce the risk of fraud within this program. An informational exchange agreement between the SSA and New Jersey could provide the ability to validate applicant and household member social security numbers through routine or periodic data file comparisons between the state and federal systems prior to benefit payments or check runs being processed. NJCA will implement this recommendation as soon as access can be obtained from SSA.

- Develop pre-payment edit checks to prevent individuals from receiving duplicate benefits.

Comment: The data system developed and administered for LIHEAP by the NJ Office of Information Technology already includes this function as noted on page 14 of the GAO report.

- Evaluate the feasibility of using the SSA's or state vital record's death data to prevent individuals using deceased identities from receiving benefits.

Comment: We support obtaining this access from the SSA in conjunction with the SS# validation process previously described as it would be more efficient to handle both validity checks from one source. In the alternative or if an informational exchange agreement with SSA is not feasible, the Department will begin discussion with the New Jersey Department of Health and Senior Services - Bureau of Vital Statistics and Registration to determine the feasibility of running validity checks on LIHEAP data against their vital statistic data. NJCA will implement this recommendation as soon as access can be obtained from SSA.



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See comment 1.

Mr. Matthew Valenta, Assistant Director
Page -2-
May 7, 2010

- Evaluate the feasibility of preventing incarcerated individuals from improperly receiving benefits, for example, by verifying Social Security numbers with state prisoner information.

Comment: The Department will evaluate and develop a procedure for cross-referencing State prisoner information with LIHEAP application data.

- Evaluate the feasibility of using third party sources (e.g. State Directory of New Hires) at a minimum on a random or risk basis, to provide assurance that individuals do not exceed maximum income thresholds.

Comment: The NJDCA currently has a Memorandum of Agreement with the New Jersey Department of Labor and Workforce Development to verify income for non-Federal employees working in New Jersey. In addition, an Income Integrity Unit has also been recently created to randomly review applications to ensure compliance with all programmatic guidelines as related to income and documentation for LIHEAP and other benefit-type programs administered by NJDCA.

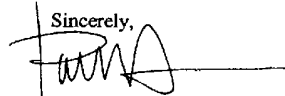
Fraud Prevention Framework Enhancements:

NJDCA hopes to expand its current requirement of collecting Social Security numbers through a mutual data and informational exchange agreement with SSA that will provide checks and balances with regard to the validity of applicant and household member information. The specific guidance recently issued on May 5, 2010 by US-HHS for the LIHEAP program will also help to strengthen controls to prevent fraud, waste and abuse.

The recently created Income Integrity Unit will also assist this process through ongoing detection and monitoring activities to ensure that applicant and household information supplied is valid and that it is checked against various 3rd party sources of information.

NJDCA will also continue to refer suspected or reported cases of fraud to the NJ Division of Criminal Justice. Should the collaborative efforts previously described between NJDCA, SSA, and other state and/or federal agencies be effectuated it may provide the LIHEAP program with better resources and more opportunities to reduce fraud, seek prosecutions of offenders, and deter the commission of such offenses in the future.

Sincerely,



Paul G. Stridick, Director
NJ Department of Community Affairs
Division of Housing and Community Resources

Cc: Lori Grifa, NJDCA Commissioner
Brian Phillips, Director, NJDCA Office of Auditing
Yolanda J. Butler, Ph.D., Acting Director, USHHS-ACF/OCS

The following are GAO's comments on the New Jersey Department of
Community Affairs' letter dated May 7, 2010.

GAO Comments

1. See our discussion in the "Agency Comments and Our Evaluation"
section.

Appendix VII: Comments from State of New York Office of Temporary and Disability Assistance

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NEW YORK 12243-0001

David A. Paterson
Governor

May 10, 2010

Mr. Matthew Valenta
Assistant Director
Forensic Audits and Special Investigations
U.S. Government Accountability Office
1999 Bryan Street
Suite 2200
Dallas, Texas 75201

Dear Mr. Valenta:

This is in response to Mr. Greg Kunz's e-mail of April 15, 2010 requesting New York State's comments on GAO's draft report entitled "Low Income Home Energy Assistance Program: Greater Fraud Prevention Controls are Needed."

New York State is committed to operating an efficient and effective LIHEAP program that we and our local social services districts operate with the utmost integrity. During the 2008-09 LIHEAP season, New York State issued over 1.5 million LIHEAP benefits totaling over \$400 million. These funds were critical in enabling low-income households struggling with the effect of the recession and volatile home energy prices to avoid potentially life-threatening loss of heat. This large volume of LIHEAP funds is distributed within a constrained time period (usually between November and May), and our local districts and their alternate certifiers do an exemplary job in determining eligibility and authorizing benefits with a high degree of accuracy within constrained timeframes.

As we explained during the course of the GAO review, the New York Office of Temporary and Disability Assistance (OTDA) and the New York City Human Resources Administration (HRA) have numerous measures currently in place to prevent and uncover fraud and abuse in New York State's LIHEAP program. Because individuals applying for Safety Net Assistance, Family Assistance, Code A "living alone" Supplemental Security Income and/or Supplemental Nutrition Assistance Program benefits are required to provide their Social Security Number (SSN) at the time of application for one or more of these programs, individuals who are categorically income eligible for LIHEAP based upon their receipt of one or more of these program benefits have an SSN that has been validated by the Social Security Administration (SSA) prior to the issuance of a LIHEAP benefit. In addition, New York State asks household members applying only for LIHEAP to provide their SSN, and New York's upstate Welfare Management System verifies such SSNs with SSA for validity.

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OTDA-L1

Appendix VII: Comments from State of New York Office of Temporary and Disability Assistance

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New York State's upstate Welfare Management System application clearance process detects duplicate records in LIHEAP application fields, and New York City's LIHEAP system checks for duplicate names and addresses. New York City conducts a match against SSA data to identify deceased individuals before LIHEAP benefits are sent for payment, and single-person LIHEAP cases on the upstate Welfare Management System were added to the monthly SSA death match beginning in June 2009. New York State conducts a monthly prison match to detect individuals who are prisoners who are applying for or are categorically income eligible for LIHEAP and are also in receipt of Safety Net Assistance, Family Assistance and/or Supplemental Nutrition Assistance Program benefits.

The GAO review found that there are areas where we could do more to improve our ability to prevent fraud and abuse in the LIHEAP program, and we welcome your suggestions. We will consider these recommendations within the context of the limitations on the amount of federal funding available for such efforts. The federal LIHEAP statute limits the amount of funds that states may use for administration to 10 percent of our total federal LIHEAP allocation. Ten percent is one of the lowest administrative percentages of all federal block grants; for example, TANF has a 15 percent allowable administrative rate. The way in which New York State operates our LIHEAP program is directly related to the limited funding for administration that is available to us, as New York State is limited in our ability to make state funding available for such purposes. We will assess the feasibility of implementing GAO's recommendations; however, such implementation may be contingent upon receipt of additional federal administrative funding that is guaranteed at a sufficient level on an annual basis.

Of equal importance is ensuring that the imposition of additional fraud and abuse measures not impede the ability of states to provide timely heating assistance to vulnerable households, and to resolve energy crises within federal statutorily mandated timeframes. Because states operate LIHEAP benefit programs that require large volumes of applications to be processed and paid annually within a tight time period within constrained funding, choices have to be made about what fraud prevention measures can be put in place both from a practical perspective as well as from a resource perspective. As GAO's report states on page 3, federal LIHEAP funds are provided to assist households "in meeting their *immediate* home energy needs." Accordingly, additional fraud and abuse prevention measures must take into account the need for states to be responsive to the *immediate* needs of eligible applicants, particularly in light of the federal statutory requirement to resolve household energy crises within 18 to 48 hours.

With regard to the specifics of the report itself, we offer the following two comments:

- Footnote 3 on page 2 and footnote 16 on page 17 incorrectly state that the LIHEAP benefit files provided to GAO by New York State covered the July 2007 through June 2008 period. The files we provided were actually for the October 1, 2007 through September 30, 2008 period.
- We have confirmed that the finding in case 17 in Table 1 on page 10 is correct. A \$240 regular 2007-08 HEAP benefit and a \$425 emergency 2007-08 HEAP benefit were provided to an Albany County applicant who included two incarcerated individuals as members of her household on her application. The household would not have been income eligible for a LIHEAP crisis benefit without the inclusion of two household members who were incarcerated at the time of application. We have instructed Albany County to take action to recover the erroneously issued benefit. New York State's LIHEAP application clearly asks the applicant to list only those people living in the same house or apartment. When an applicant lists adult children

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OTDA-L1

See comment 1.

**Appendix VII: Comments from State of New
York Office of Temporary and Disability
Assistance**

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without income, our procedures (as described in our LIHEAP Manual) direct the certifier to require the applicant to provide a signed statement for any adult household member with zero income stating the adult has no income. This procedure was not followed in this case.

See comment 2.

We would like to take this opportunity to offer a simple suggestion that could be easily implemented through HHS and SSA collaboration that would be of tremendous value to states in combating fraud and abuse in the LIHEAP program. SSA does not allow states to use the State OnLine Query (SOLQ) system to determine initial and ongoing eligibility for LIHEAP. Elderly and disabled applicants often leave their Social Security or SSI/SSDI benefit amount blank on their LIHEAP application. If SOLQ were to be available for LIHEAP, the certifier would be able to find out the correct income amount via SOLQ, thus expediting the processing of the LIHEAP application as well as ensuring the accuracy of the applicant's income as well as the accuracy of their Social Security number. Moreover, SOLQ would also enable the certifier to determine how the applicant's Medicare premiums are being paid, which would facilitate a correct determination as to whether the applicant was income eligible for LIHEAP.

While local social services districts have alternative ways of verifying income and SSNs (via SSA batched data that is used to update our Welfare Management System), this data is not real-time and the WMS system is not available to alternate certifiers. Our understanding is that states would be able to use SOLQ for LIHEAP if the Commissioner of the Social Security Administration were to agree to make this system available for this purpose, and to allow the system to be used by both county and contracted LIHEAP alternate certifier staff. It seems to us to be a logical extension to enable states to use an available federal system to assist in correctly determining eligibility for a 100% federally funded program such as LIHEAP.

We appreciate the opportunity to provide comments on the draft report. Please feel free to contact Phyllis Morris at 518-473-0332 if you have any questions or require additional information.

Sincerely,



Russell Sykes
Deputy Commissioner
Center for Employment and Economic Supports

John Meglino

John Meglino
Director
Audit and Quality Improvement

cc: OTDA Executive Deputy Director Elizabeth Berlin
Cecile Noel, NYC HRA
Michael Normile
Eileen Stack
Elizabeth Segal
Robin White
Christine Unson
Carolyn Karins
Alicia Sullivan
Phyllis Morris
Paula Cook

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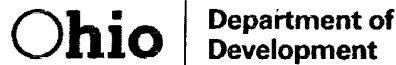
The following are GAO's comments on the State of New York Office of Temporary and Disability Assistance's letter dated May 10, 2010.

GAO Comments

1. We revised the report to reflect the dates of the data provided by New York.
2. See our discussion in the "Agency Comments and Our Evaluation" section.

Appendix VIII: Comments from State of Ohio Department of Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



Ted Strickland, Governor Lisa Patt-McDaniel, Director
Lee Fisher, Lt. Governor

May 11, 2010

Government Accountability Office
Attn: Matthew Valenta
Assistant Director
valentam@gao.gov

Re: Draft Report – Low Income Home Energy Assistance Program

Ladies and Gentlemen:

The Ohio Department of Development (Development), through its Office of Community Services (OCS), administers the Low Income Home Energy Assistance Program (LIHEAP) program in the State of Ohio. OCS cooperated with the Government Accountability Office (GAO) to provide information for its review of fraud in the LIHEAP program.

Summary

Development believes that appropriate measures should be taken to minimize fraudulent applications for LIHEAP benefits. Guidance from the U.S. Department of Health and Human Services (HHS) and standardized procedures aimed at reducing fraud risk could be helpful to the states in administering the LIHEAP program. The cost of activities aimed at reducing fraud risk must be considered in relation to the benefit amount provided to individual households as well as the cap on expenses of administration. In Ohio, the average LIHEAP benefit in 2009 was \$320.

The GAO's draft report, "Low Income Home Energy Assistance Program: Greater Fraud Prevention Controls are Needed," (the Draft Report) discusses state rules and procedures in a summary fashion that does not completely describe any state's application, monitoring, or enforcement procedures. As a result, the Draft Report could lead some to conclude that fraud in Ohio is widespread even though the GAO identifies only four Ohio cases involving aggregate benefit payments of \$1400. We believe the Draft Report would be more useful to the Congress, HHS and the states if it provided additional detail about the specific procedures followed by the states reviewed by the GAO so that both best practices and gaps could be more readily identified and considered.

More specific comments about the Draft Report as it relates to the administration of the LIHEAP program in Ohio follow.

Ohio's Current Efforts at Fraud Prevention

In administering LIHEAP, Development establishes eligibility guidelines as well as procedures to verify household eligibility. Development leverages Ohio's network of community action agencies (CAA) to interact with potentially eligible households. Development accepts applications for LIHEAP both directly (in person and by mail) and through Ohio's fifty-two CAA's, which serve as local LIHEAP intake agencies.

77 South High Street 614 | 466 2480
P.O. Box 1001 800 | 848 1300
Columbus, Ohio 43216-1001 U.S.A. www.development.ohio.gov
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Appendix VIII: Comments from State of Ohio
Department of Development

Government Accountability Office
May 11, 2010
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Centralized Applicant Database. Development has made a substantial investment over a number of years to establish and implement a centralized, web-based information system known as the Ohio Community and Energy Assistance Network (OCEAN), to determine household eligibility and to authorize and track LIHEAP benefits. All applications for LIHEAP, whether received by Development or initiated at a CAA, are entered in and processed through OCEAN. The centralized database and automated review features of OCEAN provide a strong foundation for fraud prevention.

Social Security Numbers. The Draft Report emphasizes use of Social Security numbers for applicant identification. Ohio generally requires LIHEAP applicants to provide Social Security numbers for all household members over the age of two. Development uses the Social Security numbers to assist with the verification of household income under limited circumstances. Social Security numbers are also used, as described further below, as part of Development's screen for duplicate applications.

Development does not currently have direct access to information from the Social Security Administration (SSA). Development accesses information from the SSA-administered State Verification and Exchange System (SVES) through an interagency arrangement with the Ohio Department of Job and Family Services (JFS). As a condition for accessing SVES data, Development was required to enter into an Information Exchange Agreement (IEA) with SSA. (A copy of the IEA is attached for reference, excluding the security procedures and other Attachments identified in the IEA, and the arrangement for transmitting SVES data to the state is described on page 3 of the IEA.) JFS, in turn, provides Development a special interface to its information system known as CRIS-E. Using CRIS-E, Development can verify certain household and income information about individuals who receive public assistance benefits administered by JFS. The JFS system includes data elements from SVES as well as data elements JFS obtains directly from individuals program beneficiaries. Development cannot specifically identify the source of individual data elements in beneficiary records through the JFS interface.

Development checks applicant Social Security numbers against the JFS database, CRIS-E, when an application omits Social Security numbers for household members or when the application omits income verification documentation. In those cases, Development may be able to confirm identity and/or income by reference to the CRIS-E database if the household receives public assistance benefits. If identity or income cannot be verified through CRIS-E, a follow-up letter is sent to the applicant for the missing information, and LIHEAP benefits are not approved until missing identify and/or income information is provided by the applicant.

Development does not check all LIHEAP applicants' Social Security numbers against the SVES. Without direct access to SVES, such verification would not be practical. CRIS-E records are accessed manually one application at a time. Direct access to SVES might accommodate batch verification review of applicants' Social Security numbers against SSA-administered data. Also, Development does not have access to all databases SSA administers. Note, for example, in the IEA that access to and use of tax return data is restricted to programs that do not include LIHEAP.

Applicants must answer citizenship/resident alien status questions, and applicants must submit documentation to verify citizenship/resident alien status. Applicants who are not citizens of the United States or who do not have resident alien status are not permitted to apply for LIHEAP benefits.

See comment 1.

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Income Verification. Except under the limited circumstances described above, Development does not rely on government-compiled databases to verify income eligibility. LIHEAP applicants must provide documentary evidence of income for each household member. If an applicant lists no countable¹ household income, the applicant must sign a self declaration statement explaining how the household is able to meet its living expenses.

Control for Duplicate Applications. Ohio currently uses five different methods to determine if duplicate applications have been submitted or to check for duplicate household members. OCEAN is set up to check for duplicate Social Security numbers in the database of Ohio beneficiaries when applications are entered. OCEAN is also programmed to allow only Social Security numbers within the range of numbers that have been deemed valid by SSA. Further, duplication checks include manual case review if duplicate names in the same county or addresses in the same city are detected, as well as when partial fields of addresses match or the same utility or fuel vendor account numbers are detected.

Audit of Application Files. Development's current quality control procedures include staff dedicated to reviewing samples of applications processed. All incomplete applications are reviewed by designated staff members for follow-up. In addition, randomly-selected application files are reviewed for accuracy and compliance with program procedures. Approximately seven percent of application files are reviewed as part of the quality control monitoring. Any errors or omissions found must be corrected before benefits are determined. OCS field monitors sample and review files at the local community action agencies (intake centers) for accuracy in processing and verification that proper documentation has been submitted.

No Categorical Eligibility. Ohio does not currently provide LIHEAP benefits based upon eligibility for other public assistance programs, *i.e.*, categorical eligibility. Therefore, fraud risk is not influenced by the rules or procedures for administration of other public assistance programs.

Practical Limitations. Development does not use an asset test in the LIHEAP application process. The benefit amount does not support the administrative cost of an asset test. LIHEAP benefits are issued only once per heating season. In 2009, the average benefit amount per household was \$320. Administrative costs for LIHEAP are capped at 10%. Development does not believe additional income verification through a labor intensive assets testing process is warranted in light of other measures taken to verify eligibility. Furthermore, an asset test is not necessarily consistent with the emergency nature of LIHEAP benefits. An applicant may own substantial assets, *e.g.*, a residence, but experience temporary income loss or other economic crisis that requires immediate assistance. In many cases, liquidating assets is neither practicable nor consistent with longer-term goals of maintaining residents in their homes through the heating season.

Access to Additional Databases to Verify Applicant Information

¹ Various program benefits and resources are mandated to be excluded from income when determining eligibility for LIHEAP assistance. See U.S. Department of Health and Human Services Low-Income Home Energy Assistance Information Memorandum Transmittal No. LIHEAP-IM-2010-7 dated May 6, 2010, for the most recent guidance on income exclusions.

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May 11, 2010
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Development welcomes guidance from GAO and HHS about additional database information that may be available to verify applicant information. In light of the fraud risks highlighted in the Draft Report, Development will explore with other Ohio agencies access to records with which it may avoid claims in the name of deceased, incarcerated or residents of long-term care facilities. Development currently does not have access to databases of death records, prison populations, or residents of long-term care facilities. Development obtains information about the status of household members as incarcerated or residents of long-term care facilities only through its application questions. Until such time as additional data sources can be obtained to verify applicant eligibility, Development will consider whether its LIHEAP application can be modified to reduce the risk of fraudulent claims.

With respect to verification against additional data sources, Development foresees certain challenges to implementation that will require time and additional resources. First, Development would have to obtain access to databases which may be protected by federal and/or state privacy laws. A clear mandate from HHS support the use by Development of databases that may assist in identifying eligible applicants for LIHEAP could be useful in the process of obtaining on-going access to such databases. In addition, a reasonable time should be allowed for the states to determine how data sources might be accessed, to assess the cost of measures to implement additional verification, and to plan for, secure funding, and implement system and process changes.

Response to Ohio Cases Purported to Reflect Fraudulent or Improper Activity

On pages five to eight of the Draft Report, GAO summarizes four Ohio cases purportedly involving fraudulent conduct by applicants.

Deceased Applicant Receiving a LIHEAP Benefit. OCS was able to identify the application questioned and is currently investigating the claim involving an apparently "doctored" SSA benefit letter attached to the application. OCS has attempted to contact the benefit recipient, but the telephone number listed is temporarily disconnected. OCS does not currently have access to vital statistics data to cross-check applicants against death records.

Incarcerated Applicant. At this time, Development has not identified the application described in the Draft Report. Ohio does not have access to incarceration records. If an application identifies a household member as incarcerated, Development's current practice is to follow-up with the applicant to determine the original date of incarceration and the length of time the individual is expected to be in prison. If a household member is to be incarcerated for fewer than six months during the program year, that individual is included in the household; if the household member is expected to be incarcerated for more than six months, individual is excluded.

Federal Employees. Development reviewed the two files identified and determined that in both cases, the application files did not include Veterans Administration employment records. Therefore, calculation of household income for determining LIHEAP eligibility did not include VA income. OCS does not currently have access to federal salary data from the U.S. Department of Treasury to verify income documentation submitted with the LIHEAP application. Development's current practice is to follow-up with the applicant to request additional income documentation, such as tax records, in cases where fraudulent activity is suspected. Both VA employee applications were processed at a local LIHEAP intake agency. OCS will consider whether additional training can be provided for intake staff to recognize potentially fraudulent applications.

Appendix VIII: Comments from State of Ohio
Department of Development

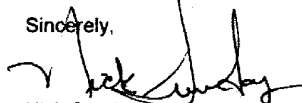
Government Accountability Office
May 11, 2010
Page 5

Conclusion

Development takes the risk of fraudulent activity very seriously. In addition to controls in place to verify eligibility in the application process, Development has responded to fraud risks identified by tightening internal controls and investigating and taking appropriate administrative and legal action when warranted. Development also actively monitors administration of the LIHEAP program to identify and address improper or substandard performance by employees of OCS and community action agencies in processing applications.

Thank you for your consideration of our comments on the Draft Report. If you have any questions about the comments or information provided in this letter, please contact Janet Cesner, Assistant Office Chief, Office of Community Services, by phone at (614)644-6637 or by e-mail at Janet.Cesner@development.ohio.gov.

Sincerely,



Nick Sunday
Chief, Office of Community Services

Enclosure

cc: Lisa Patt-McDaniel, Director, Ohio Department of Development

The following are GAO's comments on the State of Ohio Department of Development's letter dated May 11, 2010.

GAO Comments

1. See our discussion in the "Agency Comments and Our Evaluation" section.

Appendix IX: Comments from Commonwealth of Virginia Department of Social Services

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



COMMONWEALTH OF VIRGINIA DEPARTMENT OF SOCIAL SERVICES

May 10, 2010

Mr. Matthew Valenta
Assistant Director
U. S. Government Accountability Office
1999 Bryan Street, Suite 2200
Dallas, Texas 75201

Dear Mr. Valenta:

The Commonwealth of Virginia appreciates the opportunity to participate in the Government Accountability Office's (GAO) review of Low Income Home Energy Assistance Program (LIHEAP.) Program integrity is a priority of the Department of Social Services; as such we are always interested in exploring ways to improve program operation and administration. As highlighted in the report, while there are ways to improve fraud prevention in the LIHEAP, primarily through significant data matches with various sources, to date Virginia has not pursued data matches primarily due to the interpretation of the Department of Health and Human Services that requiring social security numbers (SSN) is not a condition of eligibility. This interpretation has recently been modified to allow, but not require, states to ask for SSNs. Virginia does utilize various control measures in to attempt to prevent fraud; the state engages in significant sub-recipient monitoring including local case reading reviews.

You cite in the report the practice of enrolling individuals in LIHEAP based on their eligibility for another federal programs as a practice that avails itself to fraud; you specifically reference TANF and SNAP. Specifically, the report states that "...LIHEAP's preventative controls will only be as effective as the preventative controls for the federal program (e.g., TANF or SNAP) that the recipient originally received benefits." However, both the TANF and SNAP programs require SSNs for all household members which are subsequently verified through the Social Security Administration. Additionally, both programs require periodic reviews of eligibility. As a result, the preventative measures for TANF and SNAP are inherently better than those currently required for LIHEAP. Therefore, while some federal programs may not use the preventative measures utilized in TANF and SNAP, we do not agree that qualifying individuals for LIHEAP based on their TANF or SNAP eligibility is prone to excessive fraudulent activity.

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See comment 1.

Appendix IX: Comments from Commonwealth
of Virginia Department of Social Services

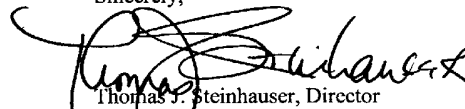
Mr. Matthew Valenta
May 10, 2010
Page 2

See comment 2.

We would also be interested in receiving specific information about the four Virginia cases being referred to the Office of the Inspector General (OIG). We do not want to delay any action to pursue prosecution and/or overpayment recovery pending the final determination of the OIG.

Thank you for the opportunity to comment on the draft report. Please feel free to contact Ms. Andrea Gregg, Energy Assistance Program Manager at (804)726-7368 or andrea.gregg@dss.virginia.gov if you have questions or need additional information.

Sincerely,



Thomas J. Steinhauer, Director
Division of Benefit Programs

The following are GAO's comments on the Commonwealth of Virginia
Department of Social Services' letter dated May 10, 2010.

GAO Comments

1. In the report, we state that LIHEAP's preventive controls will only be as effective as the preventive controls for the federal program for which the recipient originally received benefits. We did not determine that qualifying LIHEAP recipients based on their eligibility for such programs is prone to excessive fraudulent activity.
2. We will be referring the four Virginia Cases to the Department of Health and Human Services (HHS) Office of the Inspector General (OIG) for further investigation. To ensure that any actions conducted by the Commonwealth of Virginia do not impede the HHS OIG investigation, we believe that the Department of Social Services should coordinate its efforts with the HHS OIG.

Appendix X: Comments from State of West Virginia Department of Health and Human Resources

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Joe Manchin III
Governor

Bureau for Children and Families
Office of Children and Family Policy
350 Capitol Street, Room 730
Charleston, West Virginia 25301-3711
Telephone: (304) 558-4069 Fax: (304) 558-4623

Patsy A. Hardy, FACHE,
MSN, MBA
Cabinet Secretary

May 7, 2010

Mr. Greg Kutz, Managing Director
Forensic Audits and Special Investigations
United States Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Kutz:

This letter is in response to your electronic message dated April 15, 2010 regarding the recent United States Government Accountability Office's (GAO) review of the Low Income Home Energy Assistance Program (LIHEAP) which West Virginia was a participant. Upon reviewing the draft of the GAP 10-621 Report, we are pleased to report that some of these controls are already in place. Additionally, the recommendations in whole are definitely being taken under consideration and will be incorporated into WV's LIHEAP program wherever possible. The report contained the following recommendations:

- Require applicants and household members to provide Social Security numbers for themselves and all members of the household in order to receive energy assistance benefits;
- Evaluate the feasibility (including consideration of any costs, operational and system modifications) of validating applicant and household member identity information with the SSA;
- Develop prepayment edit checks to prevent individuals from receiving duplicate benefits;
- Evaluate the feasibility of using the Social Security Administration's (SSA) or state vital record's death data to prevent individuals using deceased identities from receiving benefits;

**Appendix X: Comments from State of West
Virginia Department of Health and Human
Resources**

Letter to US Government Accountability Office
May 7, 2010
Page Two

- Evaluate the feasibility of preventing incarcerated individuals from improperly receiving benefits, for example, by verifying Social Security numbers with state's prisoner information; and
- Evaluate the feasibility of using third-party sources (e.g. State Directory of New Hires) at a minimum on a random risk basis, to provide assurance that individuals do not exceed maximum income thresholds.

Also, West Virginia further recommends that the Health and Human Services (HHS) be directed to work with the SSA to allow states to use the State On-line Query (SOLQ) system to determine initial and ongoing eligibility for LIHEAP. Elderly and disabled applicants sometime omit their Social Security income or numbers on their LIHEAP application. If SOLQ were to be available for LIHEAP, our case managers would be able to find out the correct income amount from SOLQ, which would verify the recipient's income and Social Security number.

West Virginia appreciates the opportunity to participate in this worthwhile study and certainly plans to work on making its' LIHEAP program more accurate and efficient in the future. We appreciate the professional and helpful manner in which your staff has worked and communicated with our staff. Please do not hesitate to let me know if you have any questions.

Sincerely,


Charles R. Young II
Assistant Commissioner

CRYII/aff

cc: John J. Najamulski
Sue Ellen Buster
Dan Hartwell

See comment 1.

**Appendix X: Comments from State of West
Virginia Department of Health and Human
Resources**

The following are GAO's comments on the State of West Virginia Department of Health and Human Resources' letter dated May 7, 2010.

GAO Comments

1. See our discussion in the "Agency Comments and Our Evaluation" section.

Appendix XI: GAO Contact and Staff Acknowledgments

GAO contact

Greg Kutz, (202) 512-6722

Acknowledgments:

In addition to the contact named above, the following individuals made major contributions to this report: Erika Axelson, Assistant Director; Matthew Harris, Assistant Director; Matthew Valenta, Assistant Director; Randall Cole; Erica Estrada; Grant Fleming; Deanna Lee; Barbara Lewis; Olivia Lopez; Jeff McDermott; Vanessa Taylor; and Tim Walker.

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