



Highlights of [GAO-10-470](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

American consumers, businesses, and federal agencies rely on the Energy Star program to identify products that decrease greenhouse emissions and lower energy costs. In addition, the federal government and various states offer tax credits and other incentives to encourage the use of energy-efficient products including Energy Star products. Specifically, approximately \$300 million from the American Recovery and Reinvestment Act will be used for state rebate programs on energy-efficient products. The Energy Star program, which began in 1992, is overseen jointly by the U.S. Department of Energy (DOE) and the U.S. Environmental Protection Agency (EPA). Given the millions of dollars allocated to encourage use of Energy Star products and concerns that the Energy Star program is vulnerable to fraud and abuse, GAO was asked to conduct proactive testing to (1) obtain Energy Star partnership status for bogus companies and (2) submit fictitious products for Energy Star certification.

To perform this investigation, GAO used four bogus manufacturing firms and fictitious individuals to apply for Energy Star partnership and submitted 20 fictitious products with fake energy-savings claims for Energy Star certification. GAO also reviewed program documents and interviewed agency officials and officials from agency Inspector General (IG) offices.

[View GAO-10-470 or key components.](#)
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ENERGY STAR PROGRAM

Covert Testing Shows the Energy Star Program Certification Process Is Vulnerable to Fraud and Abuse

What GAO Found

GAO's investigation shows that Energy Star is for the most part a self-certification program vulnerable to fraud and abuse. GAO obtained Energy Star certifications for 15 bogus products, including a gas-powered alarm clock. Two bogus products were rejected by the program and 3 did not receive a response. In addition, two of the bogus Energy Star firms developed by GAO received requests from real companies to purchase products because the bogus firms were listed as Energy Star partners. This clearly shows how heavily American consumers rely on the Energy Star brand. The program is promoted through tax credits and appliance rebates, and federal agencies are required to purchase certain Energy Star certified products. In addition, companies use the Energy Star certification to market their products and consumers buy products relying on the certification by the government of reduced energy consumption and costs. For example, in 2008 Energy Star reported saving consumers \$19 billion dollars on utility costs. The table below details several fictitious GAO products certified by Energy Star.

Fictitious product	Product and certification details
Gas-Powered Alarm Clock	<ul style="list-style-type: none"> Product description indicated the clock is the size of a small generator and is powered by gasoline. Product was approved by Energy Star without a review of the company Web site or questions of the claimed efficiencies.
Geothermal Heat Pump	<ul style="list-style-type: none"> Energy use data reported was more efficient than any product listed as certified on the Energy Star Web site at the time of submission. High-energy efficiency data was not questioned by Energy Star. Product is eligible for federal tax credits and state rebate programs.
Computer Monitor	<ul style="list-style-type: none"> Product was approved by Energy Star within 30 minutes of submission. Private firms contacted GAO's fictitious firm to purchase products based on participation in the Energy Star program.
Refrigerator	<ul style="list-style-type: none"> Self-certified product was submitted, qualified, and listed on the Energy Star Web site within 24 hours. Product is eligible for federal tax credits and state rebates.

Source: GAO.

GAO found that for our bogus products, certification controls were ineffective primarily because Energy Star does not verify energy-savings data reported by manufacturers. Energy Star required only 4 of the 20 products GAO submitted for certification to be verified by an independent third party. For 2 of these cases GAO found that controls were effective because the program required an independent verification by a specific firm chosen by Energy Star. However, in another case because Energy Star failed to verify information provided, GAO was able to circumvent this control by certifying that a product met a specific safety standard for ozone emission.

At briefings on GAO's investigation, DOE and EPA officials agreed that the program is currently based on self-certifications by manufacturers. However, officials stated there are after-market tests and self-policing that ensure standards are maintained. GAO did not test or evaluate controls related to products that were already certified and available to the public. In addition, prior DOE IG, EPA IG, and GAO reports have found that current Energy Star controls do not ensure products meet efficiency guidelines.