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GAO Report on LIHEAP Fraud Leads to Changes in OCS Policy

The U.S. Government Accountability Office (GAO) recently released a report ([GAO 10-621](#)) on the Low-Income Home Energy Assistance Program (LIHEAP) and concluded that greater fraud prevention controls are needed. The GAO examined LIHEAP programs in seven states and found that about 260,000 applications, or 9 percent of households receiving benefits in the seven states, contained invalid identity information, such as Social Security numbers, names, or dates of birth. Many Social Security numbers matched deceased or incarcerated individuals, while about a third of the applications contained no Social Security numbers or Social Security numbers that contained all zeros. Based on its findings, the GAO provided six recommendations to the Secretary of the U.S. Department of Human Services (HHS):

- 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 of validating applicant and household member identity information with the Social Security Administration (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 applicants' use of deceased individuals' identities to obtain benefits;
- Evaluate the feasibility of preventing incarcerated individuals from improperly receiving benefits, for example, by verifying social security numbers with states' prisoner information; and
- Evaluate the feasibility of using third-party sources (such as state directories of new hires) at a minimum on a random or risk basis to provide assurance that individuals do not exceed maximum income thresholds.

The GAO directed HHS to evaluate the report's findings and consider issuing guidance to the states addressing these recommendations.

HHS agreed with the GAO's recommendations and, in May, HHS's Office of Community Services (OCS) issued an information memorandum ([LIHEAP-IM-2010-6](#)), which strongly encouraged states to

require LIHEAP applicants to provide Social Security numbers in order to receive LIHEAP benefits and recommended that states look into using Social Security numbers to access various databases to verify applicant and household member identity and income. Specifically, HHS stated in the memorandum:

- States may require that any individual applying for LIHEAP disclose his/her Social Security number as part of the application;
- 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;
- States may deny assistance to individuals and households upon refusal to provide Social Security numbers;
- States should explore using SSA's Enumeration Verification System to confirm the identity of applicants and household members; and
- States should use other databases such as new-hire directories and prisoner records to confirm applicant and household eligibility.

HHS also announced that it would be requesting that states submit, as a supplement to their FY 2011 State Plans, due on September 1, 2010, information on their program integrity measures such as applicant, household, and income verification.

In June, HHS issued an action transmittal ([LIHEAP AT-2010-6](#)) to the states detailing what information states should include in these program integrity supplements. HHS will not certify state plans as complete and will not award FY 2011 grants to states that omit program integrity information or do not describe their planned program integrity measures in sufficient detail. The action transmittal includes a template ([Attachment 1](#)) for states to provide details on their plans for preventing and detecting fraud, abuse, and improper payments. The template asks states to highlight improvements or changes to their FY 2010 plans. HHS is particularly interested in the following efforts:

- 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;
- The controls that exist to ensure 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 employed by the state and its local administering agency; and
- Policies and procedures in place by the responsible state agency and local administering agencies that assess and deter improper payments, including the prosecution of cases of improper payments made due to fraud or abuse.

HHS will also initiate its own efforts to improve program integrity. In a response letter to the GAO report, HHS stated it would take actions such as:

- Meeting with LIHEAP grantees at conferences and federal sessions to discuss program integrity;
- Directing states to take immediate corrective actions;
- Conducting quarterly conference calls and/or webinars with LIHEAP grantees;
- Establishing a work group or task force devoted to researching how states can more effectively prevent fraud; and
- Gathering and analyzing information from State Plan supplements and identifying “best practices” to share with other states.

As the FY 2011 program year approaches, community action agencies (CAAs) should stay tuned for guidance on this issue from state LIHEAP offices. CAAs should also expect changes to state LIHEAP policies and prepare for potential new requirements, such as compulsory disclosure of applicants’ and household members’ Social Security numbers and verification of those numbers through the SSA’s Enumeration Verification System.