



OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

SPECIAL REPORT

DOE-OIG-24-31

September 2024

**USING “LESSONS LEARNED” FROM
THE PANDEMIC RELIEF PROGRAMS,
WHICH SUFFERED SUBSTANTIAL
FRAUD LOSSES TO PROTECT THE
\$4.257 BILLION MADE AVAILABLE
UNDER THE INFLATION REDUCTION
ACT’S HOME ELECTRIFICATION AND
APPLIANCE REBATES PROGRAM**



DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: September 25, 2024

REPLY TO:
ATTN OF: IG-1 (S23RL019)

SUBJECT: *Special Report: Using "Lessons Learned" From the Pandemic Relief Programs, Which Suffered Substantial Fraud Losses to Protect the \$4.257 Billion Made Available Under the Inflation Reduction Act's Home Electrification and Appliance Rebates Program*

TO: Under Secretary for Infrastructure, Office of the Under Secretary for Infrastructure, S3-1



FROM: Teri L. Donaldson
Inspector General

PURPOSE: This report identifies opportunities identified by the Office of Inspector General (OIG) that the Department of Energy should take to reduce fraud in the Home Electrification and Appliance Rebates (Home Rebates) Program authorized by the Inflation Reduction Act of 2022 (IRA).

I. Executive Summary

The IRA appropriated \$4.257 billion to the Department to be conveyed via grants to states and U.S. territories (States). These entities then convey the funds to Applicants¹ via rebates. The program is being administered by the Department's State and Community Energy Program Office (SCEP).

SCEP is responsible for distributing these funds to States via the Home Rebates Program for States to develop and implement a rebate program.

In this report, we discuss opportunities for improving the Home Rebates Program grants awarded to States. The funds appropriated to the Home Rebates Program are available through September 30, 2031.

¹ "Applicants" may be individuals or companies working on behalf of individuals or a building owner. Applicants submit rebate applications to States for review and approval.

The OIG identified two areas of concern:

1. Initially, SCEP was not using Pandemic Response Accountability Committee (PRAC) best practices to implement an effective fraud prevention program, including collecting basic data, such as social security numbers (SSNs). Along the same lines, SCEP was not requiring States to do so. These best practices were recently learned the hard way by Federal agencies that experienced massive fraud during pandemic relief programs.
2. Additionally, SCEP allows States to rely on Applicant “self-certification”² in some circumstances to meet income qualifications.

To management’s credit, during the course of this review, SCEP took several constructive actions to improve fraud prevention controls.

II. Overview of the Home Rebates Program

In July 2023, SCEP issued Home Rebates Program requirements and application instructions to States. To participate, States submit their program applications to SCEP for review and approval. Approved States receive funding via grants through a predetermined formula. For example, Texas could receive up to \$344,006,590, and the Northern Marianas could receive up to \$24,839,290.

For Applicants, the precise value of a rebate is dependent upon a variety of factors, such as household income, qualified electrification projects, demonstrated energy savings, purchases of qualified appliances, etc. The maximum available rebate an Applicant can receive varies according to the specific Home Rebates Program requirements and could be as high as \$14,000. Further, Applicants may directly apply to their State for rebates, or a business may apply on behalf of the Applicants that intend to utilize that particular business.

SCEP is responsible for providing program guidance, program approval, and program oversight, and States are responsible for the administration of their rebate programs once those programs are approved. As of June 2024, SCEP has awarded 37 States \$261 million in early administrative awards to begin preparing their Home Rebate Program plans. Additionally, SCEP has approved one State’s Home Rebates Program plan and funded it over \$158 million. Finally, SCEP anticipates approving 17 more State Home Rebates Program plans by the end of fiscal year 2024. Once States receive approval of their plans, they can begin issuing rebates to Applicants.

² The Home Energy Rebates Program uses the term “self-attestation” to describe consistency with information from other sources.

III. Lessons Learned the Hard Way by the Federal Government – There Are Simple Ways to Prevent or Greatly Reduce Fraud

Fraud has become an alarming and Government-wide concern. As an example, fraudsters are responsible for more than \$400 billion in COVID-19 pandemic relief funds lost to fraud, waste, and abuse.³

Most importantly for the purposes of this report, and consistent with PRAC best practices, we concluded that fraud prevention is dependent upon the proper collection and use of data related to these best practices. PRAC further concluded that there is a great deal of risk in “self-certification” for Federal benefits, warranting additional validation steps to combat fraud. Other Federal agencies shared similar conclusions with PRAC’s findings regarding self-certification.

A. The perils of not collecting and properly using data

Most assuredly, the nearly \$4.3 billion SCEP is granting to States under the Home Rebates Program will be a high-value target for individuals and criminal groups to exploit. Collecting the right data, such as SSNs, and using the data in a beneficial manner is essential.

Summary of Actionable Best Practices From PRAC to Inform SCEP’s Home Rebates Program

The following PRAC⁴ best practices may be directly used by SCEP’s Home Rebates Program to prevent substantial amounts of fraud:

- Collect and review SSNs: The Government should deny applications that use invalid SSNs or that use the SSN of a deceased person. Validating SSNs is also highly useful to eliminate claiming benefits multiple times or “double dipping” while preventing fraud.
- Collect, review, and consider flagging applications that:
 - Use foreign internet protocol addresses or virtual private networks that mask the internet protocol address.
 - Use questionable physical addresses, such as commercial mail receiving agencies, virtual mailbox services, or addresses such as Federal or State prisons.
 - Use a disposable email domain.
 - Are associated with business entities that are inactive. Additional scrutiny may be appropriate for newly formed business entities.

³ <https://apnews.com/article/pandemic-fraud-waste-billions-small-business-labor-f33cdb6d2a9f0dbec8716c349d82250a>

⁴ <https://oig.justice.gov/news/testimony/statement-michael-e-horowitz-chair-pandemic-response-accountability-committee>

- Review collected email addresses for similarities: Remove dots/dashes from email addresses to verify that only one application has been submitted per email address.⁵
- Verify collected business addresses: Business addresses should be matched with public records to ensure that the business addresses are legitimate.
- Use “Do Not Pay”⁶ (DNP): The DNP is an existing Department of Treasury Federal data source to help users identify, mitigate, and eliminate improper payments. To find out who is on the DNP list, agencies use a secure online interface to check various sources to verify eligibility of a vendor, grantee, loan recipient, or beneficiary to receive Federal payments. The Payment Integrity Information Act of 2019 gives the DNP the authority to work directly with State Agencies that manage federally funded State-administered programs.
- Use Internal Revenue Service (IRS) resources: Require Applicants to grant permission to obtain tax transcripts from the IRS’s⁷ Income Verification Service (IVES) to verify eligibility.

Lessons Learned From Other Federal Agencies

- **Government Accountability Office (GAO):**⁸ The GAO stated that sharing data allows programs to compare information from different sources to help ensure that payments are appropriate before the payments are made. Using different data sources to confirm identity and eligibility information is a powerful tool to reduce fraud.⁹ Also, the GAO found that program managers may use internal data they already have to implement controls that verify identity without requiring much additional time.
- **Small Business Administration (SBA) OIG:**¹⁰ The SBA audited a set of already issued loans using the DNP service and found that 57,473 Paycheck Protection Program loans worth approximately \$3.6 billion were issued to potentially ineligible recipients. Further, using SBA data, PRAC identified \$5.4 billion in potential identity fraud associated with 69,323 questionable and unverified SSNs across disbursed COVID-19 Economic Injury Disaster Loan and Paycheck Protection Program Loan Program applications. According

⁵ For example, an Applicant could submit two rebate claims for the same purchase using similar emails, such as john.smith@gmail.com and johnsmith@gmail.com. Removing the period reveals that they could apply to the same person.

⁶ Do Not Pay – States (treasury.gov).

⁷ SCEP lists the IRS’s IVES as a method States may use to establish income qualifications; however, it is not a requirement.

⁸ GAO Report No. GAO-23-105876, July 2023.

⁹ This approach requires that agencies proactively identify the data needed to verify Applicant identity and eligibility and resolve any barriers to accessing data. Data-sharing agreements allow agencies access to necessary external data. The Privacy Act of 1974, as amended, defines a number of conditions under which Federal agencies may share information with other Government agencies without the affected individual’s consent. Of course, SCEP could also require that Applicants give their consent to data sharing as a standard condition to receiving the rebate. Such a requirement would act as deterrent to fraud, in addition to greatly improving fraud prevention.

¹⁰ SBA OIG Report No. 21-06, January 2021.

to PRAC, if the SBA had been able to verify the accuracy of the SSN on borrower applications, it could have reduced the possibility of identity theft and better ensured that benefits were paid only to eligible recipients.

- **Department of Labor (DOL) OIG:**¹¹ The DOL reviewed unemployment insurance (UI) benefits paid from March 2020 through October 2020 to individuals via their SSN filed in two or more States. This report flagged potential fraudulent benefits paid to “multi-state claimants” for a total of 226,829 SSNs to claim over \$3.5 billion in UI benefits. In one instance, an individual used a single SSN to file a claim in 40 States and received a total of \$222,532 in UI benefits from 29 States. In an earlier DOL OIG report, the DOL OIG reported that the unprecedented volume of claims of Coronavirus Aid Relief and Economic Security Act funds into the UI Program contributed to the risk of improper payments and fraud.

*SCEP Was Not Fully Applying These “Lessons Learned”
by Collecting Even the Most Basic Data*

When we began our review, SCEP had not considered using PRAC’s best practices to implement an effective fraud prevention program. After reviewing our earlier draft report, SCEP made some improvements, but more steps can be taken to prevent fraud. We observed that SCEP planned to collect and use only limited data¹² from States once States began collecting it, and this data focused on reporting program metrics with limited fraud identification capability. The data compiled on SCEP’s data collection system¹³ is designed to process and track rebate requests. However, use of this system by States is optional. SCEP plans to receive data in real-time from States that choose to use SCEP’s data collection system. Those States that choose not to use SCEP’s data collection system will send SCEP the required data via spreadsheet templates or through a third-party vendor system that connects to SCEP’s data collection system on a monthly basis. While SCEP will have access to all the information States collect, SCEP has not yet created a method of ensuring that States actually collect the data that is not remitted to SCEP (unless specifically requested), nor has SCEP created a plan for using the unremitted data for fraud prevention. Ultimately, which particular option each State will select is not fully known at the time of this report because States are still finalizing their plans. To management’s credit, after reviewing our draft report, SCEP increased the frequency of the submission requirement from quarterly to monthly. Further, management stated it will validate, through sampling, that States are collecting and maintaining all data needed to validate rebate integrity.

An earlier draft of this report identified a concern that the usefulness of SCEP’s data collection system for fraud prevention was limited. According to SCEP management, the data collection

¹¹ DOL OIG Report No. 19-21-002-03-315, February 2021.

¹² SCEP requests States to collect data from 50 separate categories and to share with SCEP information from 29 of those categories. Examples of information shared with SCEP include: rebate type, Applicant type, unique project identifier, unique address identifier, household eligibility, dwelling type, utility information, upgrade type, vendor name, purchase date, cost, etc.

¹³ The Pacific Northwest National Laboratory is developing a system called Home Energy Rebates Tracking and Reporting Tool’s Reporting Endpoint to assist SCEP. The system has two main functions: (1) collect State data for analysis and reporting, and (2) issue coupons for rebates that Applicants and contractors can use at large retail vendors that sell energy efficient appliances.

system was not designed to effectively analyze or use data for fraud prevention. More recently, SCEP's system developers stated that the data collection system will now be able to check for rebate requests from duplicate physical addresses. Further, after reviewing our earlier draft report, SCEP management reported that its data collection system was updated to check for duplicate rebate claims, check for rebate claims that exceed the maximum amount, reject rebates from commercial mail services, and cross-reference the accuracy of physical addresses. This is progress. However, because these data checks will not be conducted prior to the issuance of the rebate,¹⁴ it is possible, in some circumstances, that some Applicants will have already exercised their rebate before these checks are conducted. Furthermore, according to SCEP management, States not directly accessing SCEP's data collection system will not be immediately notified when fraud issues are detected.

SCEP's focus for fraud prevention is centered on the physical address where the rebate items are installed, rather than on the Applicant's identity. Therefore, SCEP is not planning to collect SSNs or requiring States to collect SSNs to confirm identity. This could be problematic. For some rebates, mainly for qualified energy saving appliances, simply focusing on the physical address could allow fraudulent claims to go undetected by SCEP's data collection system. Specifically, this could occur in situations where one Applicant applies for multiple rebates using different physical addresses. SCEP's data collection system will focus on the unique nature of the physical address rather than on the identity of the Applicant who is applying for multiple rebates. SCEP management maintains that requiring collection of SSNs is inappropriate for the Home Rebates Program because SCEP takes other steps to confirm Applicant identity that negates the risks posed through collecting SSNs. To management's credit, it added a unique Applicant identification number that will be associated with the rebate request and unique physical address identification number. This was done to strengthen SCEP's fraud prevention efforts. However, fraudsters applying for multiple rebates could bypass that requirement by submitting unique names for each rebate application. Unless the Applicant's identity is fully validated, the risk of receiving fraudulent rebates remains.

Further, SCEP is not collecting data for other PRAC best practices for use in preventing fraud. Rather, SCEP is leaving the critical issue of data collection and use largely to the discretion of States, abrogating Federal control and responsibility for fraud prevention. Until States submit program applications to SCEP for approval, it does not know what additional data States may collect, how that data aligns with PRAC best practices, or how States will analyze and use it. Rather, States are instructed to identify what proactive steps they will take to identify fraud, waste, or abuse. While it is possible that States may be aware of the best practices PRAC identified and may voluntarily use them, waiting to see what States propose is not an effective anti-fraud strategy. Of course, the effective use of such resources also requires that States collect the requisite data on the front end. This is a critical step to preventing fraud schemes, such as when fraudsters apply for rebates across multiple States or use the same purchase to apply for multiple rebate claims.

To its credit, after reviewing an earlier draft of this report, SCEP now suggests that the steps States take could include:

¹⁴ According to SCEP management, for States that choose to use SCEP's data collection system directly, the data collection system will immediately identify multiple requests using the same physical address.

- Flagging and reviewing rebate applications that duplicate the same physical address or email addresses (or a slight variation) as potential attempts at fraud;
- Verifying business addresses against public records before a contractor is added to the qualified contractor list;
- Reviewing whether a contractor is listed in the DNP system before it is added to the States' qualified contractor list;
- Requesting that households grant access to the State program to review tax records to ensure that income eligibility requirements were properly followed; and
- In cases where households do not grant access to tax records, using an alternative source of tax records such as a third-party service or tax data available to another State agency.

Also, SCEP officials agree that the IRS's IVES is a valuable tool and added that while accessing the system for Home Rebates Program is not currently allowed, the IRS is reviewing its policy on the allowed uses of IVES. SCEP officials will monitor its availability for future use.

Compounding these issues, SCEP has not required or suggested that States share any collected or relevant information with other States for the purpose of identifying wide-spread, multi-state fraud schemes.

The OIG acknowledges the steps SCEP has taken to strengthen the Home Rebates Program, but additional room for improvement remains. SCEP should require minimum data collection requirements from States that will form the basis of a strong fraud protection program. After that, States can add additional controls to improve their Home Rebates Program given their specific circumstances.

B. The perils of relying on unverified self-certification

Validating self-certified information is a key fraud risk management best practice. The importance of validation has been highlighted throughout the Federal Government.

- **PRAC:** Identified actionable best practices¹⁵ that we concluded should inform the Department's Home Rebates Program. One key best practice is that self-certified information needs to be validated before payments are sent. (June 2022)
- **The GAO:**¹⁶ Identified several key fraud risks, including a reliance on self-certification statements, affecting the Federal Communication Commission's e-rate Program. (September 2020)
- **The GAO:**¹⁷ Called for agency managers to take steps to verify reported information, particularly self-reported data, and other key data necessary to determine eligibility for enrolling in programs or receiving benefits. (July 2015)

¹⁵ PRAC *Lesson Learned in Oversight of Pandemic Relief Funds*, June 2022.

¹⁶ GAO Report No. GAO-20-606, September 2020.

¹⁷ GAO Report No. GAO-15-593SP, July 2015.

- **Department of Commerce OIG:**¹⁸ Identified self-certification as a potential major risk with the National Telecommunications and Information Administration’s reliance on tribes’ self-certifications of their broadband status to determine their eligibility for grants under the Tribal Broadband Connectivity Program. (July 2023)
- **Environmental Protection Agency OIG:**¹⁹ Identified concerns with the use of self-certification when Applicants applied for grants in the Clean Bus Program. (December 2023)
- **Department of Homeland Security OIG:**²⁰ Identified concerns with the use of self-certification and found that the Federal Emergency Management Agency did not implement controls that might have prevented 21 State workforce agencies from distributing more than \$3.7 billion in improper payments through the Lost Wages Assistance Program. (September 2022)
- **Department of Housing and Urban Development OIG:**²¹ Found that when self-certification is the sole or most significant control for program eligibility, opportunities increase for bad actors to take advantage of the programs for personal gains. The Department of Housing and Urban Development used self-certification for income verification in its rental assistance programs. (September 2022)
- **DOL OIG:**²² Identified self-certification as a top fraud vulnerability for UI benefits and found that the self-certification aspect of the Pandemic Unemployment Assistance program offered an opportunity for individuals to exploit the system and fraudulently obtain benefits. Allowing Applicants to self-certify their own eligibility created a vulnerability of which many individuals took advantage. PRAC reported that to combat the self-certification issues identified by the DOL OIG, several States are now using additional tools to verify eligibility beyond just self-certification. This includes documentation of wages earned or income verification and cross-matching data with the Social Security Administration, Department of Motor Vehicles, or other identity verification databases. These are the type of best practices that the Department’s fraud prevention programs should emulate. (October 2020)
- **SBA OIG:**²³ Found the agency approved more than 22,700 Economic Injury Disaster Loan applications to potentially ineligible entities using self-certification of Employer Identification Number registration dates. As a result, potentially ineligible entities received over \$917 million in loan funds. (October 2020)

¹⁸ Department of Commerce OIG No. OIG-23-022-M, July 2023.

¹⁹ Environmental Protection Agency OIG Report No. 24-N-0013, December 2023.

²⁰ Department of Homeland Security OIG Report OIG-22-69, September 2022.

²¹ Department of Housing and Urban Development OIG Report No. 2022-FO-0007, September 2022.

²² DOL OIG Report No. 19-21-001-03-315, October 2020.

²³ SBA OIG Report No. 21-02, October 2020.

SCEP Was Not Fully Applying the “Lesson Learned” That Relying on Unverified Self-Certified Information Is an Invitation to Fraud

When we began our review, SCEP allowed States to have Applicants self-certify their income, which would greatly increase the risk of fraud. Further, SCEP was also not requiring that Applicants later validate the income information before the issuance of rebates. Without a validation requirement prior to rebate payment, self-certifying income is an easy entry point for fraudulent claims to be submitted. According to SCEP management, although some States do not plan to use an unverified self-certification option, there are many States that do. SCEP has not addressed in the Home Rebates Program guidance or grant terms and conditions any specific tools that States should use to detect false submissions while allowing the income self-certification option. Real-time fraud prevention tools are not expressly described.

Moreover, for those States that allow self-certification, SCEP required them to later “verify” at least 50 percent of Applicant self-certification submissions. Within 1 year after launching their Home Rebates Program, States were required to report to SCEP the percentage and number of Applicants that received rebates but were subsequently found to not meet income eligibility requirements. If the percentage of false submissions is low, a State may request from SCEP a lower level of review to reduce this requirement. SCEP also reserved the right to increase or decrease this requirement at any time. The OIG observes that this system is the “pay and chase” model, which experience has taught the Federal Government to avoid.

After discussing our concern with SCEP, management acknowledged the risks introduced through self-certification and that it should be strengthened to require validation before rebates are issued. In March 2024, SCEP updated its guidance for, among other items, how States should manage allowing Applicants to self-certify their income, including cancelling access to the rebate or informing the Applicant of its obligation to return rebate funds in situations where the Applicant’s income was not validated. Additionally, to reduce the risk of self-attestation, SCEP now suggests States allow self-certification for a limited set of Applicants. For example, States could allow self-certification for Applicants: (1) residing in disadvantaged communities, (2) residing in low-income census tracts, or (3) enrolled in categorically eligible programs. Further, SCEP suggests allowing immediate access to rebates for a limited set of self-certification applications, such as Applicants who: (1) request emergency, potentially time-sensitive replacements (heating and/or cooling); (2) attest to a need for emergency replacement or provide additional documentation (e.g., geotagged photo, contractor statement, etc.) of failing existing equipment; or (3) likely meet income requirements based on address, e.g., low-income census track. Finally, for States that allow Applicants to self-certify their income eligibility, SCEP requires those States to verify rebate applications before issuing a rebate. The only exception to this requirement is that States are allowed to validate Applicant self-certified income eligibility after issuing a rebate in cases of emergency replacements.

The OIG applauds SCEP for strengthening the process for using self-certification, but given the widespread risks posed by it, SCEP should not allow States to issue rebates to Applicants based solely on self-certification. The properly described validation of such as income should occur before payments are made. To its credit when commenting on this report, SCEP management stated it will take steps to sharply limit the self-certification option to an emergency basis only.

For example, States may allow self-certification in situations that would prevent physical harm or death, such as when failed heating equipment is replaced in winter. Further, States must document those emergency situations and fully verify the self-certification after a rebate is issued, which SCEP will monitor.

IV. Recommendations

Without a coordinated approach addressing the concerns noted in this report, SCEP risks realizing similar fraud outcomes identified by PRAC, the GAO, and other OIGs. As a result, there is a real risk that large amounts of Home Rebates Program funds may not reach the intended Applicants.

Therefore, we recommend that the Under Secretary for Infrastructure direct SCEP to take the following immediate steps to address the concerns noted in this report:

1. Continue developing a comprehensive fraud prevention plan for the Home Rebates Program, incorporating lessons learned during program execution. This plan should include, at a minimum:
 - a. Requirements for collecting, analyzing, and using data, per PRAC best practices;
 - b. Establishing an information-sharing framework to utilize existing Federal databases and other resources that addresses the inevitable State and cross-State fraud schemes; and
 - c. Validating Applicant income self-certification claims prior to issuing rebate payments.
2. Modify program guidance and grant standard terms and conditions to institutionalize the critical features of a comprehensive fraud prevention plan.

MANAGEMENT RESPONSE

Management fully concurred with our recommendations. Management stated that it is and will continue to develop a comprehensive fraud prevention plan for the Home Rebates Program, which it intends to complete by December 15, 2024. Further, management stated that it will update standard grant terms and conditions with the information from its fraud prevention plan and any other guidance modifications developed. Management intends to complete this action by January 31, 2025.

INSPECTOR COMMENTS

Management's comments and proposed actions are responsive to our recommendations.

Appendix 1: Purpose, Scope, and Methodology

PURPOSE

We conducted this special project to highlight the Office of Inspector General’s concerns that the Department of Energy is not taking the steps necessary to reduce fraud in the Home Electrification and Appliance Rebates Program authorized by the Inflation Reduction Act of 2022.

SCOPE

The special project was performed from September 2023 through July 2024 with the Office of State and Community Energy Program Office located in Washington, DC. Our scope included a review of plans to implement programs for the Home Electrification and Appliance Rebates Program. The inspection was conducted under Office of Inspector General project number S23RL019.

METHODOLOGY

To accomplish our inspection objective, we:

- Reviewed documentation pertaining to Federal program plans and requirements for grantees;
- Conducted interviews with key Federal personnel;
- Compiled a body of comparable oversight work performed by other agencies to identify “best practices” that can inform improvements to the Home Electrification and Appliance Rebates Program design;
- Vetted actionable ideas for applying “best practices” in the improvement with program leadership in the Home Electrification and Appliance Rebates Program; and
- Reviewed laws and Federal regulations governing grant programs.

We conducted our inspection in accordance with the Quality Standards for Inspection and Evaluation (December 2020) as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions.

Management officials waived an exit conference on September 19, 2024.

Appendix 2: Management Comments



Department of Energy

Washington, DC 20585

MEMORANDUM FOR THE INSPECTOR GENERAL

FROM: **KEISHAA AUSTIN AUSTIN** Digitally signed by KEISHAA AUSTIN Date: 2024.09.12 14:55:19 -04'00'
ACTING PRINCIPAL DEPUTY DIRECTOR
OFFICE OF STATE AND COMMUNITY ENERGY PROGRAMS

SUBJECT: Using “Lessons Learned” From the Pandemic Relief Programs, Which Suffered Substantial Fraud Losses to Protect the \$4.257 Billion Made Available Under the Inflation Reduction Act’s Home Electrification and Appliance Rebates Program (S23RL019)

Thank you for the opportunity to review and comment on the subject draft report. The Office of State and Community Energy Programs (SCEP) appreciates the Office of the Inspector General’s work, especially in this formative time before state programs have launched.

The Department of Energy’s State and Community Energy Programs (SCEP) also welcomes the opportunity to comment on the Draft Special Report (SR) on the Home Electrification and Appliance Rebates Program (HEAR/Program). As the SR catalogues, the OIG’s work to identify and share best practices, and collaborate with SCEP on program improvements has already greatly strengthened the HEAR Program. We appreciate the input of the OIG as we continue to work to establish our programs and continually strengthen processes, while ensuring that, at all times, DOE upholds its federal oversight responsibilities. As detailed below, DOE is advancing a comprehensive fraud prevention plan and concurs in the OIG’s Recommendations.

SCEP has been and will continue implementing a suite of fraud-reduction measures, including those identified by the OIG. These include:

- DOE program requirements for state programs, as detailed in the Data & Tools Requirements Guide¹ to collect and validate 31 data elements for each rebate, which establish household identity, income eligibility, physical address, scope of project, and amount of rebate.
- DOE and the Pacific Northwest National Lab (PNNL) developed data collection and sharing tool in the form of a custom-designed Application Programming Interface (API), entitled the DOE Rebate Tracking System and Coupon Generator. Using this tool, DOE will perform automated screening and flagging of suspicious data (such as questionable or duplicate physical addresses and duplicate Unique Applicant ID) via PNNL’s rebate database and will share that information as relevant.²

¹ See, [ira-home-energy-rebates-data-and-tools-requirements-guide-version-1.2.pdf](#)

² See [Available Home Energy Rebate Program Tools | PNNL](#).

Appendix 2: Management Comments

Enclosure

Management Response

OIG Draft Report: Using “Lessons Learned” From the Pandemic Relief Programs, Which Suffered Substantial Fraud Losses to Protect the \$4.257 Billion Made Available Under the Inflation Reduction Act’s Home Electrification and Appliance Rebates Program (S23RL019)

- DOE program officials conduct quarterly compliance monitoring, which will include sampling of the data required to evaluate rebate integrity, coupled with comprehensive annual on-site reviews of all required data collection.
- Requirements that state rebate programs collect and report geotagged photos of existing appliances and installation of new appliances and that states report to DOE proof of quality installation and inspection of heat pump systems.
- Requirements that state programs maintain verified “qualified contractor”³ and participating vendor lists
- Requirements that, where self-attestation of income eligibility is allowed, states verify 100% of any such income attestations prior to issuing a rebate.⁴

SCEP generally concurs with the recommendations provided and provides additional detail on the actions underway and planned to address the recommendations in the attached.

If you have any questions regarding this response, please contact Joseph Nyangon, Deputy Director of Partnerships, Office of State and Community Energy Programs, joseph.nyangon@hq.doe.gov.

Enclosure

³ See PR&AI Sec. 4.2.5.

⁴ See PR&AI Sec. 4.1.3.

Enclosure

Management Response

OIG Draft Report: Using “Lessons Learned” From the Pandemic Relief Programs, Which Suffered Substantial Fraud Losses to Protect the \$4.257 Billion Made Available Under the Inflation Reduction Act’s Home Electrification and Appliance Rebates Program (S23RL019)

Recommendation 1: Continue developing a comprehensive fraud prevention plan for the Home Rebates Program, incorporating lessons learned during program execution. This plan should include, at a minimum:

- a. Requirements for collecting, analyzing, and using data, per PRAC best practices;
- b. Establishing an information-sharing framework to utilize existing Federal databases and other resources that addresses the inevitable State and cross-State fraud schemes; and
- c. Validating Applicant income self-certification claims prior to issuing rebate payments.

DOE Response: Concur

SCEP is, and will continue to be, developing a comprehensive fraud-prevention plan for the Home Electrification and Appliance Rebates Program (HEAR) Program. Regarding the incorporation of best practices from the Pandemic Relief Accountability Committee (PRAC), SCEP has adopted or intends to adopt many best-practice requirements, including applicable uses of Do Not Pay and IRS IVES (if approved by IRS), preemptively flagging questionable physical addresses, and strengthening the requirement to verify income.

However, with respect to SSNs, SCEP maintains that requiring collection of SSNs is inappropriate in the context of this program. The Program employs numerous other data collection requirements that provide more robust fraud prevention without the risks presented by collecting SSNs. Regarding the use of SSNs, the Social Security Administration explicitly encourages the use of “alternate identifiers in place of the Social Security Number,” noting that “[a]n organization’s collection and use of SSNs can increase the risk of identity theft and fraud,” generating “the potential for a thief to illegitimately gain access to bank accounts, credit cards, driving records, tax and employment histories and other private information....”⁵ The Program’s Data & Tools Requirements Guide requires states to confirm, for every rebate, “proof of identity, proof of ownership, and proof of income.” To do so, states must validate both the identity of the applicant *and* the applicant’s physical address. Further, SCEP’s newly enhanced requirement for a Unique Applicant ID for each rebate will prevent any given applicant from fraudulently seeking multiple rebates from different physical addresses.

As states begin to stand up their programs, SCEP is working to implement an information-collection, -analysis, and -utilization framework to identify and respond to fraud across states. This framework will allow SCEP to synthesize data from many sources of fraud detection to identify fraud across states. It will also allow SCEP to issue timely fraud “alert” notifications to its state partners.

⁵ See “Avoid Identity Theft: Protect Social Security Numbers”; Social Security Administration, Philadelphia Region; see also, “Social Security Numbers: OMB Actions Needed to Strengthen Federal Efforts to Limit [Identity Theft Risks by Reducing Collection, Use, and Display](#)”, U.S. Government Accountability Office, GAO-17-553.

Appendix 2: Management Comments

Enclosure

Management Response

OIG Draft Report: Using “Lessons Learned” From the Pandemic Relief Programs, Which Suffered Substantial Fraud Losses to Protect the \$4.257 Billion Made Available Under the Inflation Reduction Act’s Home Electrification and Appliance Rebates Program (S23RL019)

With respect to self-certification, SCEP management especially appreciates the OIG’s concerns and suggestions. Based on the OIG’s feedback, self-attestation of income information will be sharply limited. *Only on an emergency basis*—for example to prevent physical harm or death, such as when failed heating equipment is replaced in winter—may states allow self-attestation; and that attestation must be fully verified after a rebate is issued. States must document such emergency certifications and SCEP will monitor them. SCEP expects that this narrowly circumscribed exception, subject to rigorous monitoring by States and SCEP, will present minor risks that are worth the benefit of ensuring that applicants can avoid life-threatening emergencies.

Estimated Completion Date: December 15, 2024

Recommendation 2: Modify program guidance and grant standard terms and conditions to institutionalize the critical features of a comprehensive fraud prevention plan.

DOE Response: Concur

The fraud prevention plan, which SCEP intends to complete by December 15, 2024, and any associated guidance modifications will be incorporated by reference into standard grant terms and conditions, as necessary and applicable. In addition, SCEP is currently revising its quarterly monitoring procedure to include sampled validation that the state is collecting and is maintaining all data needed to validate rebate integrity.

Estimated Completion Date: January 31, 2025

FEEDBACK

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