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Home Heating Assistance Program Paid Out Improper Benefits, Failed to Implement Corrective Actions and Remains Susceptible to Fraud

TRENTON – An investigation conducted by the Office of the State Comptroller (OSC) has found that the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the state’s Department of Community Affairs (DCA), paid out improper benefits and lacks necessary controls, making it susceptible to fraud.

OSC is referring six benefit recipients to the state Division of Criminal Justice for its review for potential prosecution. Those recipients include three public employees, one of whom failed to disclose that she earned more than $90,000 per year, far exceeding income eligibility guidelines. An additional 34 benefit recipients are being referred to DCA for its determination whether LIHEAP benefits were properly awarded.

LIHEAP is a federally funded and state-administered program that provides assistance to low-income New Jersey residents to help meet their home energy needs. New Jersey is a top recipient of LIHEAP funding and receives, on average, $125 million per year. To qualify for benefits, an applicant or member of the applicant’s household must meet certain criteria, including having a valid Social Security number (SSN).

“People in need depend on LIHEAP to help pay for heat during cold weather. The weaknesses we discovered in LIHEAP need to be addressed so we ensure this vital funding is properly provided to those it is intended to help,” said State Comptroller Philip James Degnan.
OSC’s investigation resulted from a complaint regarding a single Middlesex County-based application agency, which became the focus of the report issued today. OSC, however, calls upon the remaining 16 agencies approved by DCA to handle LIHEAP applications to review the findings and recommendations contained in today’s report to ensure that each agency is fulfilling its obligations in administering this critical program.

OSC investigators found that:

- Some LIHEAP applicants received benefits as a direct result of falsifying applications — including the use of non-existent or fraudulent SSNs and/or fraudulent income information
- DCA used a performance-based quota system that required at least 75% of LIHEAP applications to be approved, a standard that federal officials were not aware of until informed by OSC investigators
- DCA had not fully implemented recommendations issued by the U.S. Government Accountability Office (GAO) in its 2010 LIHEAP fraud prevention audit
- DCA does not provide sufficient training, guidance or support to application agencies

OSC investigators conducted SSN, income verification, and death record reviews as part of their work. SSN verifications were conducted using OSC’s own access to the Social Security Administration database. This review yielded discrepancies including invalid SSNs, mismatches between the applicant’s name and SSN or date of birth, and SSNs belonging to deceased individuals. For instance, an SSN provided by one applicant was associated with a person reported as deceased, as well as being associated with 25 other individuals with various names, dates of birth and addresses throughout the United States.

Of the files reviewed, OSC also discovered over a dozen cases in which LIHEAP applicants under-reported their income by at least $10,000, the lower incomes making them eligible for LIHEAP benefits. In another instance, DCA issued LIHEAP benefits for an applicant eight months after she died and while her house was for sale.

As a result of OSC’s investigation, the federal Department of Health and Human Services instructed DCA to end its quota-based approval system. This practice has ceased.

The 2010 GAO report recommended that DCA verify applicant and household information with the Social Security Administration; conduct income verification using available databases; and check
SSNs against death records. As of the completion of OSC’s investigation, these recommendations had not been fully implemented.

OSC’s review also revealed that DCA is not providing sufficient fraud training or guidance to the application agencies. Furthermore, DCA’s handbook had not been updated since 2005 despite known changes, and only a dozen updates had been issued in as many years.

The OSC issued several recommendations to the DCA in its report, including:

- Notify all application agencies that the 75% performance-based quota has been discontinued
- Finalize its access to the Social Security Administration database
- Utilize existing access to State agency databases and obtain access to other agencies, to conduct income verification and vital statistics reviews
- Provide copies of the updated Home Energy Assistance Handbook to each application agency

OSC is an independent State agency that conducts audits and investigations of government agencies throughout New Jersey. The Office also reviews certain government contracts and works to detect and prevent Medicaid Fraud. The Office strives to enhance the efficiency and transparency of government and to ensure that public funds are spent effectively and efficiently.

Suspected government mismanagement or fraud can be reported to OSC by calling 1-855-OSC-TIPS (1-855-672-8477) or via email at comptrollertips@osc.nj.gov.

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