



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-08

January 14, 2026

Additional Actions Would Strengthen Indiana's Internal Controls for Implementing the Home Energy Rebates Programs



INSPECTION REPORT



Department of Energy
Washington, DC 20585

January 14, 2026

MEMORANDUM FOR THE DIRECTOR, OFFICE OF STATE AND COMMUNITY
ENERGY PROGRAMS

SUBJECT: Inspection Report: *Additional Actions Would Strengthen Indiana's Internal Controls for Implementing the Home Energy Rebates Programs*

The attached report discusses our inspection of Indiana's implementation of the Home Energy Rebates programs under the *Inflation Reduction Act of 2022*. This report contains one recommendation that, if fully implemented, should help ensure that Indiana Office of Energy Development's internal controls are adequate to implement the Home Energy Rebates programs. Management fully concurred with our recommendation.

We conducted this inspection from February 2025 through September 2025 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (December 2020). We appreciated the cooperation and assistance received during this inspection.

A handwritten signature in blue ink, reading "Sarah Nelson", is positioned above the typed name.

Sarah Nelson
Assistant Inspector General
for Management
Performing the Duties of the Inspector General
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE OIG HIGHLIGHTS

Additional Actions Would Strengthen Indiana's Internal Controls for Implementing the Home Energy Rebates Programs

Why We Performed This Inspection

The *Inflation Reduction Act of 2022* allocated \$8.8 billion to the Department of Energy for issuing grants to states, U.S. territories, and Indian Tribes for distribution to the public in the form of home energy rebates. The Department's Office of State and Community Energy Programs is responsible for oversight and guidance of the \$181.9 million of grants awarded to Indiana. The Indiana Office of Energy Development (OED) administers Indiana's Home Energy Rebates programs.

We initiated this inspection to assess the OED's internal controls to administer the Home Energy Rebates programs under the *Inflation Reduction Act of 2022*.

What We Found

We determined that the OED did not establish an adequate internal controls system to administer the Home Energy Rebates programs under the *Inflation Reduction Act of 2022*, though it began accepting rebate applications in May 2025. Specifically, the OED did not: (1) document risk assessments that identified, analyzed, and responded to potential risks that could prevent the Home Energy Rebates programs from achieving their stated objectives; and (2) develop a program-specific policy for monitoring and assessing the implementing company's performance.

A fully established internal controls system helps protect Department funds and meet program objectives.

What We Recommend

To address the issues identified in this report, we made one recommendation that, if fully executed, should help strengthen the OED's internal controls to implement the Home Energy Rebates programs.

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Background and Objective

The *Inflation Reduction Act of 2022* (IRA) allocated \$8.8 billion to the Department of Energy for issuing grants to states, U.S. territories, and Indian Tribes for distribution to the public in the form of home energy rebates. IRA funding expires on September 30, 2031, and rebates are issued through two distinct Home Energy Rebates programs:

- IRA Section 50121 allocated \$4.3 billion for the Home Owner Managing Energy Savings (HOMES) Program for performance-based, whole-house rebates. Under HOMES, authorized contractors conduct an initial energy evaluation of the property, followed by an energy-efficient installation or upgrade. After a follow-up energy evaluation is conducted of the property, the property owner receives a rebate based on energy savings achieved. The rebate's amount is determined by the property owner's income.
- IRA Section 50122 allocated \$4.5 billion for the High Efficiency Electric Home Rebate (HEEHR) Program, which offers rebates for the purchase and installation of approved appliances and energy upgrades, such as insulation or wiring. The amount of the rebate is determined by the product type and income level of the recipient, similar to the HOMES Program. Rebates are available for both single-family and multifamily properties.

The Department's Office of State and Community Energy Programs awards and oversees the grants to Indiana, and the Indiana Office of Energy Development (OED) administers Indiana's Home Energy Rebates programs. Indiana received \$91.1 million for HOMES and \$90.8 million for HEEHR. The OED began accepting rebate applications in May 2025.

The OED contracted with an implementing company to run the HOMES and HEEHR programs. The implementer contracted with multiple companies to help fulfill its responsibility for program design and delivery. These companies also maintain the rebate application website for program application creation, processing, and pre- and post-home inspections.

The OED's grant agreement states that the award is subject to requirements contained in Title 2, Code of Federal Regulations, Part 200. According to Section 303, "Internal Controls," the grant recipient "must establish, document, and maintain effective internal control over the Federal award" to ensure all requirements are met. Further, "these internal controls should align with the guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission." These best practices explain the components of internal control and their importance in preventing fraud, waste, and abuse. Further, management must design, implement, and operate the components of internal control together in an integrated manner for an internal control system to be effective.

The OED's HOMES and HEEHR programs are in the early stages of implementation, with 6 years remaining to distribute \$181.9 million in funds. Therefore, we initiated this inspection to assess the OED's internal controls to administer the Home Energy Rebates programs under the IRA.

Results of Review

WEAKNESSES IDENTIFIED IN THE OED'S INTERNAL CONTROLS

We determined that the OED did not establish adequate internal controls to administer the Home Energy Rebates programs under the IRA, though it began accepting rebate applications in May 2025. Specifically, the OED did not: (1) document risk assessments that identified, analyzed, and responded to potential risks that could prevent the rebates programs from achieving their stated objectives; and (2) develop a program specific written policy for monitoring and assessing the implementing company's performance.

Undocumented Risk Assessment

The OED did not document a risk assessment prior to launching the HOMES and HEEHR programs. During conversations with program management, we discussed several program risk areas the OED had identified, such as duplicate rebates, point of sale, and program income limitations. We acknowledge that the OED considered risks when developing the HOMES and HEEHR programs; however, a documented risk assessment for the HOMES and HEEHR programs did not exist. A documented risk assessment would help ensure the OED had: (1) identified risks; (2) analyzed the risk's impact; and (3) determined how to disposition the risk (e.g., accept or mitigate the risk).

According to best practices, assessing risk is one of the five key components of internal controls. One principle of a risk assessment is the process of identifying, analyzing, and responding to risk. Once risks are identified and their potential impacts are assessed, management decides how to address the risk by either accepting, avoiding, or implementing risk mitigation controls. The level of assessed risk guides management in deciding whether it can tolerate and accept the risk or if it needs to design controls, such as policies and procedures, to mitigate it. Documenting the assessment of risk allows management to reevaluate the risks to its programs and respond accordingly when the environment changes. Further, having a documented risk assessment ensures continuity in the event of staffing changes, allows new personnel to understand why program processes were established, and increases the likelihood that program goals will be met.

Lack of Monitoring Policy

The OED did not have a written policy for monitoring and assessing implementer performance. We held discussions with the OED about how it planned to monitor implementer performance and if the OED had a monitoring policy. The OED stated that it would perform implementer invoice reviews, rely on contract terms and conditions, and hold weekly contractor meetings. While we acknowledge that the OED identified monitoring activities, they were not governed by a policy that monitors specific Home Energy Rebates programs risks and requirements. For instance, contract terms and conditions state what a contractor is required to perform; though a monitoring policy allows the OED to identify and correct contractor issues to achieve program objectives. In addition, the OED referred to an agency-level monitoring policy; however, the OED confirmed that not all parts of the agency-level policy apply to the Home Energy Rebates programs. The OED also confirmed that it had not specifically identified which portions of the policy it would use for rebate monitoring, that the OED's efforts were in the early stages, and

that it had not yet developed a program-specific monitoring policy. A monitoring policy, as outlined by best practices, is crucial for ensuring that internal controls remain effective and responsive to changing circumstances.

Per 2 Code of Federal Regulations, Part 200.303, “Internal Controls,” the OED is required to establish, document, and maintain effective internal controls. According to best practices, this includes having a monitoring policy with clear objectives, methodologies, and responsibilities for assessing contractor performance. It should also include regular assessments to identify and address any identified deficiencies promptly, ensuring that controls remain relevant and effective in the face of any implementer performance issues.

CONCLUSION

Without a fully established internal controls system, the OED cannot ensure that HOMES and HEEHR program objectives are achieved. For example, there is an increased risk that grant funds could be awarded to ineligible persons, in incorrect amounts, for unallowed upgrades, or on unqualified properties. Further, the lack of a well-documented oversight monitoring policy for implementer performance increases the risk that: (1) the implementer may not comply with program objectives, relevant laws, regulations, and guidance; and (2) the OED may not properly identify, assess, and respond to contractor performance issues.

Recommendation

The Department follows Order 224.3A, *Audit Coordination, Resolution, and Follow-up*, to address recommendations made by the Office of Inspector General covering recipients of financial assistance agreements. We discussed this report’s finding with management, and it stated it would apply the processes found in Order 224.3A to address our recommendation that the Director, Office of State and Community Energy Programs:

1. Create a corrective action plan demonstrating how the OED will develop and document a risk assessment and monitoring policy that aligns with best practices found in 2 Code of Federal Regulations, Part 200.

Management Comments and OIG Response

Management fully concurred with our recommendation. Management stated it will ensure the OED develops a corrective action plan consistent with our recommendation that aligns with Order 224.3A and 2 Code of Federal Regulations, Part 200; makes a management decision on the plan’s adequacy; and continues to conduct oversight throughout the award period.

The OED did not agree that it lacked a documented risk assessment and described activities it had performed related to risk, such as a presentation slide deck, its application to the Office of State and Community Energy Programs, and a state procurement document. During the inspection, we discussed several program risk areas the OED had identified, and we acknowledged that the OED considered risks. Although the OED considered risk through various actions, those actions did not constitute a documented risk assessment for the HOMES and

HEEHR programs. A documented risk assessment would help ensure the OED had: (1) identified risks; (2) analyzed the risks' impact; and (3) determined how to disposition risks (e.g., accept or mitigate a risk). Further, having a documented risk assessment ensures continuity in the event of staffing changes, allows new personnel to understand why program processes were established, and increases the likelihood that program goals will be met.

Further, the OED acknowledged that although it did not have a single program-specific monitoring policy, it incorporated program specific objectives into contracts and held routine meetings with the implementer. We acknowledge that the OED identified monitoring activities, but they were not governed by a specific policy governing monitoring procedures for Home Energy Rebates programs risks and requirements. For instance, contract terms and conditions state what a contractor is required to perform; however, a monitoring policy would detail how the OED would oversee implementer activities to identify and correct contractor issues to achieve program objectives.

To its credit, the OED stated it had consolidated its risk information into a single document and developed a program-specific monitoring policy that tailors its agency-level policies and procedures.

Management's and the OED's comments and corrective actions are responsive to our recommendation. Their comments are included in Appendix 3.

Objective, Scope, and Methodology

Objective

We conducted this inspection to assess the Indiana Office of Energy Development's (OED) internal controls to administer the Home Energy Rebates programs under the *Inflation Reduction Act of 2022*.

Scope

The inspection was performed from February 2025 through September 2025 with the Office of State and Community Energy Programs in Washington, DC; and the OED in Indianapolis, Indiana. The scope was limited to the actions taken by the OED to implement the Home Energy Rebates programs under the *Inflation Reduction Act of 2022*. The inspection was conducted under Office of Inspector General project number S25RL009.

Methodology

To accomplish our inspection objective, we:

- Reviewed Federal and Department of Energy regulations, policies, procedures, and guidance;
- Reviewed OED policies, procedures, and guidance;
- Interviewed key personnel from the Department's Office of State and Community Energy Programs, the OED, and the OED's implementer and contractor; and
- Evaluated the OED's Home Owner Managing Energy Savings and High-Efficiency Electric Home Rebate programs for internal control adequacy.

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.

We held an exit conference with management officials on December 19, 2025.

Prior Report

Office of Inspector General

- 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](#) (DOE-OIG-24-31, September 25, 2024). This special report highlights opportunities identified by the Office of Inspector General that the Department of Energy should take to reduce fraud in the Home Electrification and Appliance Rebates Program authorized by the *Inflation Reduction Act of 2022*. The report identified two areas of concern. First, the Office of State and Community Energy Programs was not using Pandemic Response Accountability Committee best practices to implement an effective fraud prevention program, including collecting basic data, such as social security numbers. Along the same lines, the Office of State and Community Energy Programs 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. Additionally, the Office of State and Community Energy Programs allows States to rely on Applicant “self-certification” in some circumstances to meet income qualifications.

Management Comments



Department of Energy

Washington, DC 20585

December 04, 2025

MEMORANDUM FOR SARAH NELSON
ASSISTANT INSPECTOR GENERAL FOR MANAGEMENT
OFFICE OF INSPECTOR GENERAL

FROM: MICHAEL LI
PRINCIPAL DEPUTY DIRECTOR
DOE OFFICE OF STATE AND COMMUNITY ENERGY
PROGRAMS

SUBJECT: ADDITIONAL ACTIONS WOULD STRENGTHEN INDIANA'S
INTERNAL CONTROLS FOR IMPLEMENTING THE HOME
ENERGY REBATES PROGRAM (S25RL009)

MICHAEL LI
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MICHAEL LI
Date: 2025.12.10
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Thank you for the opportunity to review and comment on the subject draft report. The DOE Office of State and Community Energy Programs' (SCEP) appreciates the auditors' audit work and provides the following comments below:

The attachment to this memorandum details actions planned to be taken by SCEP.

If you have any questions regarding this response, please contact me, or Mary Hubbard, Program Manager – Home Energy Rebates Program, SCEP, 202-262-3522.

Enclosure

Enclosure

Management Response
OIG Draft Report: Additional Actions Would Strengthen Indiana's Internal Controls for
Implementing the Home Energy Rebates Programs (S25RL009)

Recommendation # 1: The Department follows Order 224.3A, Audit Coordination, Resolution, and Follow-up, to address recommendations made by the Office of Inspector General covering recipients of financial assistance agreements. We discussed this report's finding with the Department, and it stated it would apply the processes found in Order 224.3A to address our recommendation that the Director, SCEP: direct the OED to:

1. Create a corrective action plan demonstrating how OED will develop and document a risk assessment and monitoring policy that aligns with best practices found in 2 Code of Federal Regulations, Part 200.

DOE Response: *Concur*

Consistent with the requirements of DOE Order 224.3A, SCEP will ensure that OED develops a corrective action plan to establish, document, and maintain effective internal controls aligned with 2 Code of Federal Regulations, Part 200, and address issues identified during the OIG audit, and will make a management decision regarding the adequacy of the corrective action plan. SCEP will continue to conduct programmatic oversight and work with OED to ensure they maintain effective internal controls for the duration of the award.

Estimated Completion Date: July 31, 2031



INDIANA OFFICE OF ENERGY DEVELOPMENT

Ms. Sarah Nelson
Assistant Inspector General for Management
Office of the Inspector General
U.S. Department of Energy

December 12, 2025

RE: Draft Inspection Report: *Additional Actions Would Strengthen Indiana's Internal Controls for Implementing the Home Energy Rebates Programs*

Dear Ms. Nelson,

The Indiana Office of Energy Development (OED) appreciates the opportunity to work with the Office of Inspector General (OIG) team over the past year to review Indiana's Home Energy Rebates Programs. Energy affordability is paramount to the program in delivering vital energy savings to Indiana residents and reducing their utility bills, especially for low-income households. To ensure these outcomes and strong fiscal stewardship, key priorities in the development of OED's program include administrative processes that are efficient and effective, compliant with federal regulations, and aim to prevent waste, fraud, and abuse.

OED offers the following comments in response to the draft inspection report, along with additional actions OED has taken since the inspection.

Risk assessment

The draft report inaccurately states that OED did not document a risk assessment. OED conducts a variety of risk assessments in an ongoing manner for each federal funding program, and the following types of risk assessments were discussed and provided during the inspection:

- Indiana State Budget Agency (SBA) federal assistance reviews for the Home Energy Rebates programs that assess the federal programs goals, alignment with state goals, and risk analyses of fiscal impact, agency capacity, federal compliance, and regulatory requirements.
- State procurement Request for Services (RFS) for the Home Energy Rebates programs, which required implementation contract bidders to identify project

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risks with mitigation and management strategies as a part of their proposal response.

- Presentation slide deck that identifies the program-specific risks and challenges, along with details on the state's program design and each step of the business process that addresses and mitigates for the risks.
- OED's program application materials to the U.S. Department of Energy, which embeds numerous controls to address program risks.

Risk assessment is an important best practice for effective internal controls; however, there are no standardized formats for them. The risk assessments that OED conducts contribute to effective internal controls for both the agency and for the program. They help to outline clear programmatic and administrative objectives, to identify programmatic and management risks, and to inform program development to prevent, detect, and respond to risks including the potential for waste, fraud, and abuse. These OED risk assessments provide the basis for Indiana's program design, have been incorporated throughout program development, and continue to be considered throughout implementation.

Monitoring policy

Monitoring is also another important best practice for effective internal controls. Like risk assessment, there are no standard formats or processes for this best practice. OED utilizes agency-level monitoring policies and, through a variety of methods, has been performing in-depth monitoring of the state's program development and ongoing oversight of the implementation contractor.

Although OED may not have had a singular program-specific monitoring policy at the time of inspection, OED does not lack monitoring policies or procedures. Effective and efficient monitoring policies and procedures begin at the agency level to support consistency and standardization across all federal grant programs within the agency. Contracts are an effective and efficient tool used by OED as a part of its monitoring activities because OED's contract with the implementor incorporates specific program objectives. The contract also serves as an enforceable mechanism should the implementor fail to perform and achieve program objectives.

Given the scale, scope, and potential risks of the program, OED provides a much greater level of monitoring on this program than any other grantee or contractor. Among the most effective monitoring activities that OED performs for this program includes the ongoing and iterative collaboration with the implementor to build Indiana's program. Through frequent and routine meetings (not less than weekly), OED has directed each programmatic decision point along the way to ensure that risks are addressed and to monitor the progress toward program objectives.

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Additional actions taken

As a result of the insight gained during the inspection, OED has since taken a couple of extra steps to strengthen internal best practices specific to this program. These include 1) the consolidation of the information from the different types of risk assessment into a single document and 2) the development of a program-specific monitoring policy of the implementor that tailors the agency-level policies and procedures. Given the scale and significance of the Home Energy Rebates programs, OED recognizes the additional value that singular, program-specific documentation can provide.

Fiscal stewardship is a responsibility that OED takes seriously and welcomes opportunities for continuous improvement. As noted in this response, OED demonstrates effective internal controls and integrates the 2 CFR 200 best practices into the Home Energy Rebates programs. Further, we are committed to continue working with the U.S. Department of Energy to strengthen the programs' effective and efficient delivery of funding and ensure the prevention of waste, fraud, and abuse of the program.

OED appreciates the opportunity to provide feedback on the draft report and look forward to its completion.

Sincerely,



Jon Ford
Executive Director
Indiana Office of Energy Development

FEEDBACK

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