Comprehensive TANF Spending Oversight

How States Can Standardize and Strengthen Risk-based Sub-recipient Monitoring

TANF Program Integrity Office Hours | Session 3 Companion Product

This companion product accompanies Session 3 of the *TANF Program Integrity Office Hours* series, a peer learning initiative for state TANF program administrators and related agency staff. You may review the session recording on the TANF *Program Integrity Office Hours webpage*. This resource summarizes key takeaways from the session and offers tools for assessing and strengthening your agency's provider contracts and accountability structures.

WHY IT MATTERS

Standardized, risk-based monitoring is a key strategy for strengthening accountability, reducing fraud risk, and improving oversight of TANF-funded services.

Strong sub-recipient monitoring is essential for ensuring TANF funds are spent appropriately and federal oversight requirements are met. Recent Government Accountability Office (GAO) findings identified gaps in reporting on non-assistance spending[i] and weaknesses in fraud risk management.[ii] Federal regulations require states to assess sub-recipient risk and tailor their monitoring accordingly.[iii]

FIVE COMMON RISK DOMAINS:

A risk assessment answers a basic question before monitoring begins: which sub-recipients are most likely to need the closest oversight? Federal regulations require TANF agencies to consider specific factors when making that determination.[iv] The five domains below translate those requirements into a structured assessment framework, drawing on criteria developed by the Association of Government Accountants (AGA) in partnership with the Office of Management and Budget (OMB).[v] Agencies may adapt this framework to fit their own programs, existing processes, and context.

Risk Domain	What to Look For
Financial Stability: ***Is this organization financially sound?***	Look for cash flow problems, budget variance between contracted and actual spending, and financial audit results. A sub-recipient with a history of outstanding debt or recurring deficits may pose higher risk of misusing funds or failing to meet compliance requirements.
Legal & Compliance Standing: ***Is this organization in good standing?***	Check SAM.gov - the official U.S. government website where organizations register to do business with the federal government - before any award to confirm the entity is not debarred or suspended from receiving federal funds. This step is required under 2 CFR 200.332. Review for active lawsuits and prior compliance failures.
Audit & Monitoring History: ***How long ago was their last review, and what did it find?***	Review prior audit findings, including Single Audit results for entities expending $1,000,000 or more in federal awards annually. Note unresolved corrective actions or long gaps since the last review. Both of these scenarios warrant closer attention.
Programmatic Experience: ***Has this organization done this kind of work before, with federal funds specifically?***	Consider how long the entity has been operating, whether they have managed federal grants before, and whether this is their first engagement with your agency. Unfamiliarity with federal compliance requirements is a risk factor.
Staff & System Stability: ***Has this organization had key personnel changes or new financial systems?***	Look for recent turnover in leadership or fiscal staff, new or substantially changed financial systems, and whether the entity tracks this award separately from others in their accounting records. Even well-intentioned providers can develop compliance gaps when navigating internal disruptions.

FOUR KEY PRACTICES IN RISK-BASED MONITORING

1. STANDARDIZE THE PROCESS

Use one documented manual so monitoring looks the same across all programs, no matter who is reviewing

2. TIER BY RISK

Use an initial risk assessment to sort sub-recipients into risk tiers, then scale audit intensity and frequency to match their tier

3. SEPARATE AND CROSS-CHECK DUTIES

Have fiscal and program staff review each other's findings before anything goes back to the provider

4. FORMALIZE CORRECTIVE ACTION

Pair every finding with a documented corrective action plan and a clear path to escalation

Nebraska: Building a Standardized, Risk-based Sub-recipient Monitoring System from the Ground Up

Nebraska DHHS Office of Economic Assistance's effort to standardize sub-recipient monitoring grew out of audit findings and internal lessons that revealed gaps in oversight. With 27 programs across economic mobility, benefits, childcare, and community services using different monitoring approaches, DHHS leadership recognized the need for a single, risk-based process grounded in federal requirements.

Rather than adding staff or increasing oversight across the board, Nebraska focused on directing monitoring where it was most needed. The state developed a standardized approach tied to 2 CFR Part 200[vi], ensuring that review efforts matched sub-recipient risk and resources were used more effectively.

WHAT THEY BUILT: Nebraska replaced 27 program-specific monitoring approaches with a single, standardized manual detailing a consistent, risk-based process. Every program follows the same core procedures for documenting findings and corrective actions.

The standardized process also brings fiscal and program staff together through a cross-review model. Fiscal staff verify accuracy of expenditures and if expenses are allowable, while program staff assess whether spending aligns with contract requirements and family needs. By reviewing findings together before communicating with providers, Nebraska strengthened oversight, improved consistency, and created a more reliable process for identifying and addressing risks.

THE RESULTS: *Reviewers report feeling empowered to speak up and request a second opinion when they notice something unusual, the state has been able to correct overpayments, and monitoring findings are now informing how future contracts and solicitations are written.*

Key Takeaways:

1. **Risk tiers save resources**
   This process allows staff to direct intensive reviews to the highest risk providers
2. **One manual, many programs**
   Staff expertise transfers across programs and the reviews look the same, no matter which staff are doing them
3. **Cross-check before you communicate**
   Having staff from the fiscal and program side review helps catch errors early
4. **Build in time for buy-in**
   Involving frontline staff early in the process pays off when it's time to adopt a new process

WHERE TO START

Resource	Use when...
Association for Government Accountants (AGA) Risk Assessment Monitoring Tool (2009) A free tool developed with OMB, covering legal, financial, and programmatic risk.	Conducting initial risk assessments for new sub-recipients, or designing a tiered monitoring system. Maps to all five risk domains and is especially useful for agencies building a risk-scoring approach from scratch.
AGA Subrecipient Monitoring & Self-Assessment Guide (2017) A practical field tool developed with state practitioners, structured around the Uniform Guidance—the federal rules that govern how all federal grant dollars must be managed and monitored.	Building or reviewing your monitoring checklist for regulatory completeness. Useful for staff conducting reviews and supervisors verifying coverage of 2 CFR 200 requirements.
State Subrecipient Oversight Trainings and Checklists Several states publish staff trainings and ready-to-adapt sample scoring sheets you can start from. • Arizona Subrecipient Monitoring Training (2019) • Colorado Subrecipient Assessment Tool (2024) • Nebraska Monitoring Manual: Fiscal review, operations checklist, and risk assessment (pg.73-88)	Adapting or building your own tools and you want a real-world starting point rather than a blank page.
Uniform Guidance: 2 CFR Part 200, Subpart D (200.332) The federal regulation establishes pass-through entity requirements for sub-recipient monitoring, including risk assessment, subaward documentation, and corrective action. Available at ecfr.gov.	Starting or rebuilding any sub-recipient monitoring system. This is the regulatory foundation that defines your legal obligations as a pass-through entity. The other tools in this table help you meet these requirements.
GAO's Standards for Internal Control (Green Book) A federal framework state and local agencies can adopt to design and operate internal controls across operations, reporting, and compliance.	Designing or defending the overall structure of your monitoring framework, particularly for leadership or auditors. The 2025 appendices address fraud and improper payments directly.

Additional Resources:

Monitoring and Subrecipient Monitoring in Federal Grants. Witt O'Brien's Center for Grant Excellence. (2025).
Subrecipient Monitoring Guide for Federal Grants. Grantsights. (2026).
Subrecipient Monitoring and Management. U.S. Department of the Treasury, Office of Capital Access. (2024).
Managing Community Development Block Grants: A guidebook for Grantees on Subrecipient Oversight. U.S. Department of Housing and Urban Development, Office of Inspector General. (2021)

End Notes

i United States Government Accountability Office (2025). Temporary Assistance for Needy Families: Enhanced Reporting Could Improve HHS Oversight of State Spending. GAO-25-107235.

ii United States Government Accountability Office (2025). Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management. GAO-25-107290.

iii Office of Management and Budget. (2024). 2 C.F.R. § 200.332: Requirements for pass-through entities. Electronic Code of Federal Regulations. https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd/section-200.332

iv Office of Management and Budget. (2024). 2 C.F.R. § 200.332: Requirements for pass-through entities. Electronic Code of Federal Regulations. https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd/section-200.332

v Association of Government Accountants (AGA), Partnership for Intergovernmental Management and Accountability. (2009). Risk Assessment Monitoring Tool. Developed in partnership with the U.S. Office of Management and Budget. https://www.flipsnack.com/FCAA7CF569B/aga-risk-assessment-monitoring-tool.html

vi Office of Management and Budget. (2024). 2 C.F.R. § 200.332: Requirements for pass-through entities. Electronic Code of Federal Regulations. https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd/section-200.332