

TANF Agency Organizational Framework

Separation of Duties for Fraud Prevention

BACKGROUND: WHY SEPARATION OF DUTIES IS CRITICAL



The National Problem

- HHS found 162 unresolved TANF audit findings across states as of 2024 including 56 material weaknesses signaling ongoing vulnerabilities that leave states exposed to compliance, theft, and fraud risksi
- More than \$77 million in TANF funds questioned in a single-state forensic audit in 2023, misappropriated to unauthorized purposesⁱⁱ
- Multiple government officials and subrecipient staff charged with fraud involving inflated payroll, nonexistent personnel, false invoicingⁱⁱⁱ
- Millions in taxpayer dollars spent on investigations, forensic audits, legal proceedings—resources diverted from program services^{IV}

Real Impact

More than \$77 million in misappropriated funds could have provided TANF cash assistance to nearly 12,800 families for an entire year¹

Root Cause:

Concentration of authority + Lack of oversight = Fraud opportunity

How to Use This Reference

This framework helps TANF agency leaders understand and implement separation of duties—a critical fraud prevention control required by federal regulations. Use it to:

- Understand why separation of duties matters for program integrity
- Review the national context and real financial impact of fraud
- See how to structure your organization with proper separation
- Identify the four critical functions that must never be combined
- Learn key control points and adaptations for small agencies

Critical Principle Across All Agency Sizes

"Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event."

— GAO Standards for Internal Control in the Federal Government (Green Book)

THE FOUR FUNCTIONS THAT MUST NEVER BE COMBINED



1. Authorization

Program Managers approve transactions

2. Custody

Fiscal staff control funds

3. Recording

Accounting staff enter transactions

4. Reconciliation

Budget or QC staff verify accuracy

KEY CONTROL POINTS'



- 1. Different staff perform each step (authorization, custody, recording, reconciliation)
- 2. Supervisor approval is required before payment authorization
- 3. System controls prevent unauthorized changes (role-based permissions)
- 4. Audit records track all actions
- 5. QC is independent from operations
- Calculation based on average monthly TANF benefit per family of approximately \$503 (HHS ACF TANF Financial Data, FY 2022): \$77,000,000 ÷ (\$503 × 12 months) = approximately 12,757 families for one year.



TANF AGENCY ORGANIZATIONAL STRUCTUREVIII,ix,x,xi

LEADERSHIP



TANF DIRECTOR OR ADMINISTRATOR

Executive authority • Receives independent reporting from all three branches • Cannot unilaterally authorize expenditures





BRANCH 1: PROGRAM OPERATIONS

Determines Eligibility & Delivers Services

Reports To: Deputy Director - Program Operations



Caseworkers & Eligibility Specialists

- ✓ Interview applicants, determine eligibility
- ✓ Enter case data, develop plans
- x CANNOT process payments
- x CANNOT access fiscal systems



Program Managers & Supervisors

- ✓ Review complex cases, provide guidance
- ✓ Monitor compliance
- x CANNOT process financial transactions
- x CANNOT override fiscal controls



Employment & Workforce Staff

- √ Coordinate work activities, track hours
- x CANNOT determine cash assistance
- x CANNOT authorize payments



Administrative Support

- ✓ Input data and manage documentation
- x CANNOT make eligibility determinations



BRANCH 2:

FISCAL TEAM

Manages Budget & Processes
Payments

Reports To: Deputy Director -Finance/CFO (separate chain from Program)



Financial Analysts

- √ Monitor expenditures against budget
- √ Track federal compliance, analyze trends
- x CANNOT determine eligibility
- x CANNOT access case systems



Budget / Grants Staff

- ✓ Prepare federal reports (ACF-196R)
- ✓ Manage grant compliance, MOE tracking
- x CANNOT approve eligibility
- x CANNOT modify program policy



Accounting Staff

- √ Process authorized payments
- √ Record transactions, reconcile accounts
- x CANNOT authorize benefits
- x CANNOT override system controls



BRANCH 3:

QUALITY CONTROL/AUDIT

Independent Oversight & Fraud
Detection

Reports To: Deputy Director - Audit/ Inspector General (IG) (independent of Program and Fiscal)



QC/QA Specialists

- √ Conduct case reviews, validate eligibility
- √ Test calculations, ensure compliance
- x CANNOT make determinations
- x CANNOT supervise audited staff



Fraud Investigators

- ✓ Investigate fraud referrals
- √ Coordinate with law enforcement
- x CANNOT process payments/ eligibility



Internal Auditors / Inspector General

- √ Verify controls, test compliance
- √ Report directly to Director/IG
- x No operational authority



SMALL AGENCY ADAPTATIONSXII

When full separation not possible due to limited staffing:

- → Increase supervisory review and Director oversight
- → Rotate duties regularly among available staff
- → Use external services (State payment processing, County Auditor)
- → Implement mandatory vacation policy (fraud detected when person away)
- → Conduct surprise audits and initiate interagency partnerships





PROGRAM OPERATIONS

- Roles combined into 'Economic Services Unit' with enhanced supervisory review
- Compensating controls:
 - No single person both determines eligibility AND processes payments



FISCAL TEAM

- Single Fiscal Manager with 1-2 staff
- · Compensating controls:
 - Director reviews high-dollar transactions
 - County auditor reconciles monthly logs
 - State processes payments



QUALITY CONTROL

- · No dedicated QC staff
- Compensating controls:
 - State regional QC conducts reviews
 - External auditors examine annually
 - County board and QC staff from other agencies are engaged to support oversight

Federal Requirements

- Office of Management and Budget, <u>Circular A-123 Adhere to GAO Fraud Risk Framework</u>xiii
- Government Accountability Office, GAO-14-704G (Green Book) <u>Apply Standards for Internal Control in the</u> Federal Government^{xiv}
- Code of Federal Regulations, Title 2, Section 200 Establish effective internal control over Federal awards**
- Code of Federal Regulations, Title 45, Section 261 Require secondary review, scheduled audits, and ongoing quality assurance^{xvi}



This product was developed by BLH Technologies and Mathematica under Contract No. 75ACF122C00029 with the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.

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- ^{IV} United States Government Accountability Office (2025). <u>Temporary Assistance for Needy Families: HHS Needs to Strengthen Oversight of Single Audit Findings, GAO-25-107291</u>
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- ix Texas Health and Human Services Commission. HHS Organizational Chart
- Florida Department of Children and Families. Organizational Chart
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