TANF Fraud Risk Categories - Quick Reference
Overview of 24 Fraud Risks Across 9 Categories

STAR — STATE AND TRIBAL TECHNICAL ASSISTANCE AND RESOURCES

BACKGROUND ⓘ

In July 2024, HHS completed its first comprehensive TANF fraud risk assessment, identifying 21 specific fraud risks drawn from state single audit findings, major court cases, and patterns from other HHS programs[i]. GAO organized these risks into nine categories to help agencies identify and respond to fraud patterns. In 2025, GAO identified three additional critical risks[ii]. This visual reference organizes all 24 fraud risks within the 9 overarching categories.

How to Use This Reference

This guide helps TANF leaders and staff understand the full spectrum of potential fraud risks relevant to programs funded with TANF funds. Use it to:

- Build collective fraud risk knowledge across your agency
- Understand whether risks are person-based, system-based, or hybrid
- Apply the WHO-HOW-WHAT framework to assess fraud scenarios
- Review fraud prevention strategies that can help mitigate these risks

Understanding TANF Fraud Risks: Visual Category Reference[iii]
Nine GAO-identified Fraud Risk Categories with Classification System

👤 Person-Based Fraud   ⚙ System-Based Fraud   👥⚙ Hybrid (Person + System)   *2025 additions marked with asterisk*

Billing Fraud
False or Inflated Claims for Reimbursement

- Cross-charging between programs
- Inflated or fictitious expenses
- Inflated contractor service invoices
- Double-charging multiple programs

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Conflict of Interest
Personal Financial Interests Affecting Decisions

- Procurement bribery or kickbacks
- Procurement conflict of interest
- Financial interest in contractors

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Conspiracy
Coordinated Schemes Between Multiple Parties

- Fake bidding by contractors
- Bid-rigging by multiple contractors
- Collusion to avoid competitive bidding

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Cyber Exploit
Digital System Attacks and Breaches

- Compromising IT systems
- Unauthorized data access
- Malware or ransomware attacks
- EBT card fraud by state employees*

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Fabrication
Creating False Information Documents

- Creating false reports
- Fabricating credentials
- Opaque subrecipient accounting*
- Research misconduct
- Fictitious activities in reports

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Misuse of Award Funds
Using Program Funds for Unauthorized Purposes

- Unallowable activities or expenses
- Illegal personal use of property
- EBT card misuse by beneficiaries*
- Selling or trading EBT cards for cash

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Misrepresentation
False Statements About Eligibility or Activities

- Ineligible beneficiary or client
- Ghost beneficiaries
- Duplicate benefits
- Unqualified contractors
- Ineligible grantee or subrecipient
- Unreported losses

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PII Theft
Stealing and Misusing Personal Data

- Identity theft of beneficiaries
- Employee personal info theft
- Misuse of health Information

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Skimming
Capturing Payment and Personal Information

- EBT card skimming devices
- ATM or Point of Sale terminal tampering
- Capturing card data and PINs
- Diverting benefits before delivery

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Important Disclaimer

GAO's specific definitions and methodology for organizing fraud risks into the nine categories are maintained in their Antifraud Resource system[iv] and are not publicly detailed. The categorization presented here represents OFA's best-fit interpretation based on logical analysis of each fraud risk's characteristics and alignment with standard fraud prevention frameworks.

The "Who, How, What" Fraud Framework:
Analyze any fraud by identifying these three elements

WHO - The Individual
Beneficiary, Employee, Contractor, Subrecipient

HOW - The Mechanism
Falsification, System Misuse, Collusion

WHAT - The Target
Benefit Eligibility, EBT Cards, Vendor Payments

Effective Fraud Prevention Strategies[v,vi,vii,viii]

- Organize staff roles so that separate staff are responsible for program operations, fiscal management, and quality control functions
- Conduct regular fraud risk assessments at planned intervals and when major program changes occur to identify emerging fraud risks
- Provide staff with resources and training on recognizing fraud indicators for each category
- Implement robust internal controls targeting each category's vulnerabilities aligned with the GAO Standards for Internal Control
- Create governance structures between eligibility, fiscal, and audit teams that facilitate information sharing while maintaining appropriate separation of duties
- Use data analytics to identify patterns and anomalies across fraud categories (for example: EBT transactions far from reported address, unusually high vendor unit costs, invoicing just below approval thresholds)

End Notes

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

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

iii United States Government Accountability Office (2024). GAO Antifraud Resource: An Interactive Tool for Understanding and Combating Federal Fraud

iv   United States Government Accountability Office (2024). GAO Fraud Ontology Version 1.1

v   United States Government Accountability Office (2015). A Framework for Managing Fraud Risks in Federal Programs, GAO-15-593SP

vi   United States Government Accountability Office (2025). Standards for Internal Control in the Federal Government (Green Book), GAO-25-107721

vii Office of Management and Budget (2016). Management's Responsibility for Enterprise Risk Management and Internal Control, Office of Management and Budget Circular A-123

viii Code of Federal Regulations, Title 2, Section 200.300 – 200.346 (2025). Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards