

# TANF Fraud Risk Management: A Visual Guide

## Resource 1

### ABOUT THIS GUIDE

This guide categorizes TANF fraud risks by the type of person committing fraud in program administration and service delivery. TANF agencies can use this framework to identify vulnerabilities, implement or strengthen internal controls, and train staff on fraud prevention strategies.

### FRAUD RISK CATEGORIES

#### What Are Fraud Risk Categories?

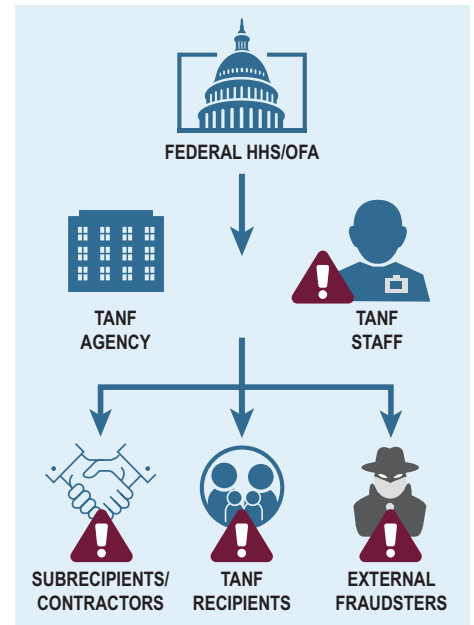
HHS identified 21 distinct fraud risks affecting the \$16.5 billion TANF program, which GAO organized into nine categories based on the individual (who), fraud mechanism (how), and type of funds targeted<sup>i</sup> (what).

**WHO:** The individual committing fraud (state or county employee, contractor, beneficiary)

**HOW:** The method used (billing fraud, identity theft, misrepresentation, etc.)

**WHAT:** The type of funds or systems targeted (EBT cards, contracts, benefit eligibility)

#### COMMON FRAUD ENTRY POINTS IN THE TANF SYSTEM



#### Scope Of This Resource

This guide focuses on fraud risks within TANF agencies' direct control—risks involving agency employees, contractors, and TANF recipients.

While **external fraudsters** (including cybercriminals who use skimming devices and commit identity theft) represent significant threats to TANF programs, they typically require cybersecurity and law enforcement responses beyond programmatic fraud risk management.<sup>ii</sup> For guidance on external EBT fraud threats, states should consult Food and Nutrition Service (FNS) [resources on EBT security and card skimming prevention](#).

### FRAUD RISK MANAGEMENT

The following sections follow the flow of TANF funds from TANF agencies to recipients, highlighting fraud risks and prevention strategies at each level.

#### AGENCY EMPLOYEE RISKS<sup>iii</sup>

Agency employees who administer TANF programs may contribute to fraud through:

- **Procurement fraud:** Awarding contracts to specific vendors in exchange for personal benefits, like money or gifts
- **EBT card manipulation:** Creating ghost beneficiaries or diverting cards
- **Conflict of interest:** Having financial interest in contracted entities
- **Misuse of program property:** Using TANF-funded resources for personal gains



## Warning Signs<sup>iv</sup>



- Unusual patterns in benefit issuance
- Suspicious contract awards
- Undisclosed relationships with contractors
- Missing program assets

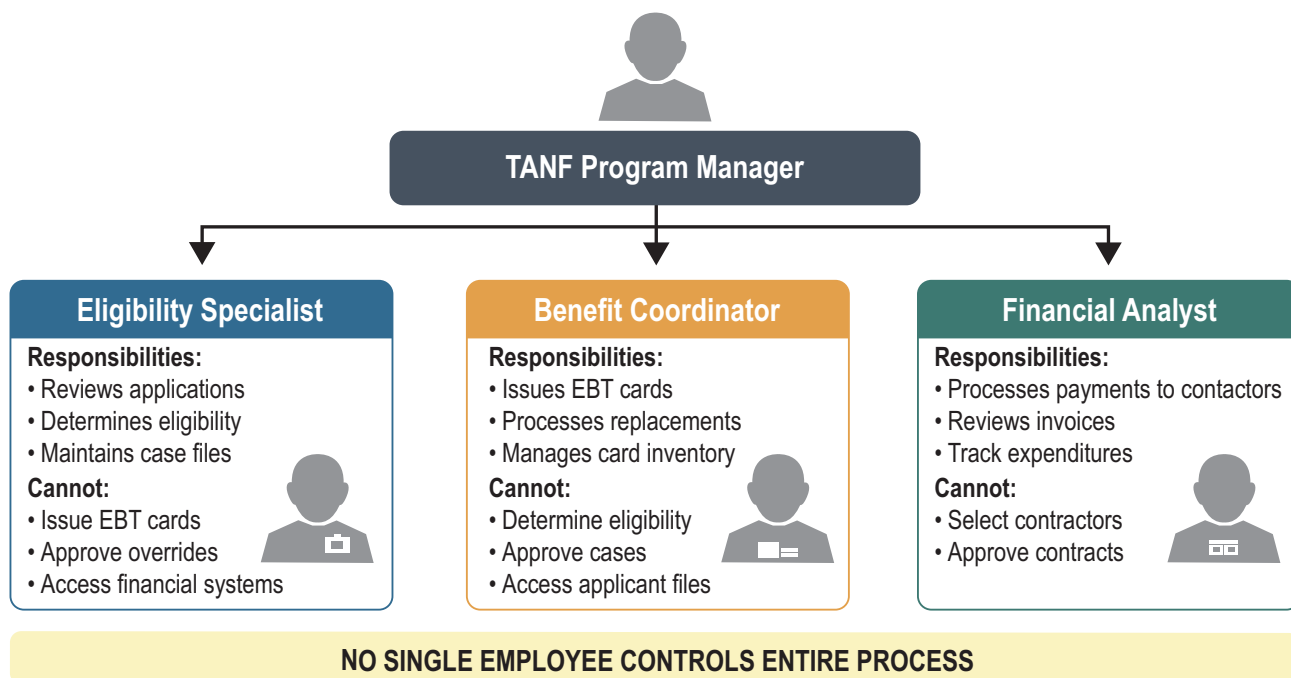
## Prevention Strategies<sup>v</sup>



- **Separation of duties:** Divide responsibilities so no single employee controls entire process
- **Regular employee training:** Quarterly or bi-annual ethics and fraud awareness sessions
- **Ethics policies with consequences:** Clear disciplinary procedures for violations
- **Internal controls for EBT card issuance:** Require supervisory approval for all card actions



### SPOTLIGHT ON PREVENTION STRATEGY:EXAMPLE SEPARATION OF DUTIES



## SUBRECIPIENT AND CONTRACTOR RISKS<sup>vi</sup>

Organizations such as nonprofit organizations, local agencies, faith-based organizations, and service providers that receive TANF funds through contracts or grants may engage in:

- **Unallowable activities:** Expenditures unrelated to TANF purposes
- **Inflated expenses:** Overstating costs in financial reports
- **Fictitious activities:** Reporting services not actually provided
- **Opaque accounting:** Commingling funds without proper tracking



## Warning Signs<sup>vii</sup>



- Vague service descriptions on invoices and reports
- Limited or no supporting documentation
- Resistance to providing detailed records
- Inconsistent reporting across funding sources

## Prevention Strategies<sup>viii</sup>



- **Clear contractual requirements:** Specify exactly what documentation must be provided and when, including detailed invoicing requirements
- **Fund-specific accounting requirements:** Require separate accounting for TANF vs. other funding sources
- **Required supporting documentation:** Mandate detailed receipts, timesheets, service logs, and descriptions of expenditures
- **Regular monitoring and site visits:** Conduct regular (e.g., quarterly) on-site reviews of subrecipient operations



## SUBRECIPIENT FRAUD PREVENTION STRATEGY CHECKLIST



**THOROUGH CONTRACT MONITORING PRACTICES ARE CRITICAL FOR EFFECTIVE FRAUD PREVENTION**

### SUBRECIPIENT/ CONTRACTORS VERIFICATION CHECKLIST

- ☐ **Service Descriptions:**  
Are services clearly defined and TANF-eligible?
- ☐ **Supporting Documentation:**  
Are invoices backed by timesheets, receipts, service logs?
- ☐ **Cost Verification**  
Do reported costs align with local market rates?
- ☐ **Participant Verification**  
Can you confirm services were provided to real people?
- ☐ **Site Visits**  
Have you conducted on-site verification of reported activities?

## BENEFICIARY RISKS<sup>ix</sup>

TANF recipients may contribute to fraud in the following ways:

- **Misrepresentation:** Providing false information to qualify for or maintain benefits, such as unreported income, falsified (or ghost) family members, and/or false residency
- **Identity theft:** Using someone else's information to obtain benefits
- **EBT card misuse:** Selling or trading benefit cards
- **Duplicate benefits:** Making false statements to receive the same services from multiple programs

## TYPES OF MISREPRESENTATION



**Unreported Income**



**Ghost Family Member**



**False Residency**



## Warning Signs<sup>x</sup>



- Inconsistent documentation across applications for multiple programs
- Multiple benefit accounts linked to same address
- Online advertisements selling EBT cards on social media and e-commerce platforms
- Unusual EBT transaction patterns including transactions outside normal business hours or multiple maximum withdrawals

## Prevention Strategies<sup>xi</sup>



- **Enhanced identity verification:** Cross-reference Social Security Administration records and other benefit program databases to verify applicant information
- **Duplicate benefit detection:** Check for multiple TANF cases for the same household across jurisdictions and verify information about other services received to prevent false statements about duplicative services
- **EBT card security features:** Implement PIN requirements and photo ID options
- **Beneficiary fraud awareness training:** Educate recipients on proper card use and consequences of misuse

## KEY LESSONS FOR TANF AGENCIES

### Agency Employee Oversight:



- **Implement separation of duties** so no single employee controls the entire process from eligibility determination to benefit issuance
- **Review expenditures at multiple levels** within your agency hierarchy to catch unusual patterns or irregularities

### Subrecipient/Contractor Management:



- **Establish strong oversight of subrecipients** such as requiring detailed information on invoices, progress reports, and supporting documentation
- **Verify that subrecipient and contractor activities align with TANF purposes** through regular site visits, performance tracking, and documentation reviews

### Beneficiary Protection:



- **Document how expenses meet program requirements** to ensure benefits reach intended recipients
- **Monitor EBT card usage patterns** to quickly identify and respond to potential misuse or selling



### Prevention Strategies:

The strategies outlined above are based on [GAO's Fraud Risk Framework](#) leading practices and federal guidance on TANF program integrity.



### Prioritizing Fraud Risks:

While specific incidence rates for TANF fraud types are not available due to limited federal oversight authority, states should prioritize prevention efforts based on their own risk assessments, single audit findings, and coordination with the state Office of Inspector General.