

TANF Fraud Risk Management:

Visual Resources for TANF Agencies

ABOUT THIS RESOURCE:



The Government Accountability Office (GAO) conducted a review of Temporary Assistance for Needy Families (TANF) fraud risk management and released report [GAO-25-107290](#) in January 2025. This report evaluated the Department of Health and Human Services' (HHS) efforts to identify and assess TANF fraud risks and made recommendations to strengthen fraud risk management at federal, state, and local levels.

TANF agencies play a critical role in fraud prevention, and GAO emphasized the need for stronger procedures and clearer guidance to support their efforts. These visual resources translate GAO's findings into practical tools that TANF agencies can choose to implement immediately to strengthen TANF program integrity and fulfill their role as the first line of defense against fraud.

INTENDED AUDIENCE



TANF administrators, program managers, fraud prevention specialists, auditors, and oversight staff responsible for safeguarding TANF funds and ensuring program integrity.

PURPOSE



These visual guides support TANF agencies in proactively identifying, preventing, and mitigating fraud risks before they escalate to federal oversight. Grounded in the findings of [GAO Report 25-107290](#), these resources address specific vulnerabilities in TANF fraud risk management and translate those insights into practical tools. By implementing these strategies, TANF agencies can strengthen program integrity, reduce inefficient spending, enhance accountability, and prevent the diversion of funds from their intended purpose, thereby upholding TANF's core mission of assisting families in need.

What's Included?

- 1. TANF Fraud Risk Quick Reference Guide:**
This visual guide, developed in alignment with GAO recommendations, focuses on key TANF fraud risks organized by the type of individual potentially involved in committing fraud (e.g., beneficiary, agency employee, subrecipient, contractor) and outlines clear risk indicators, prevention strategies, and detection methods. The guide is designed to support TANF agencies in strengthening program integrity through a user-centered, accessible format that promotes transparency and accountability.
- 2. EBT Card Fraud Prevention Checklist:**
This guide addresses two significant fraud vulnerabilities the GAO identified: beneficiary misuse of Electronic Benefit Transfer (EBT) cards (including selling cards on e-commerce platforms) and EBT card fraud perpetrated by agency employees. The checklist provides concrete security features, monitoring protocols, and response procedures to safeguard TANF benefits delivered through EBT cards.

How To Use:

TANF agencies can use these guides to:

- Train staff to identify and respond to potential fraud risks
- Develop or strengthen internal fraud prevention protocols
- Improve oversight of subrecipients and contracted service providers
- Enhance Electronic Benefit Transfer (EBT) card security practices
- Build fraud awareness among TANF beneficiaries

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?

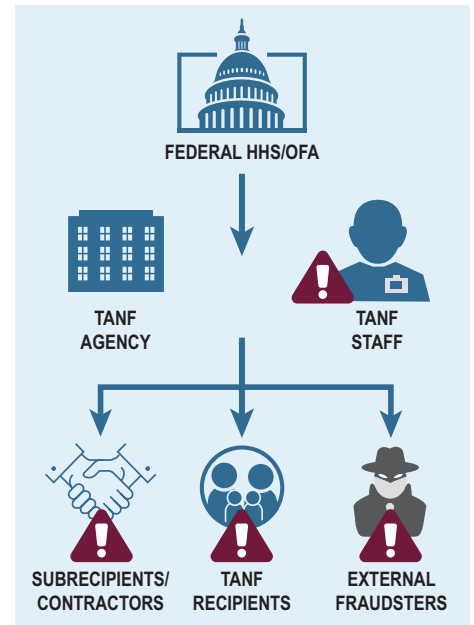
HHS identified 21 distinct fraud risks affecting the \$16.5 billion TANF program, which GAO organized into nine categories based on the individual (who), fraud mechanism (how), and type of funds targetedⁱ (what).

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.ⁱⁱ 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 RISKSⁱⁱⁱ

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^{iv}



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

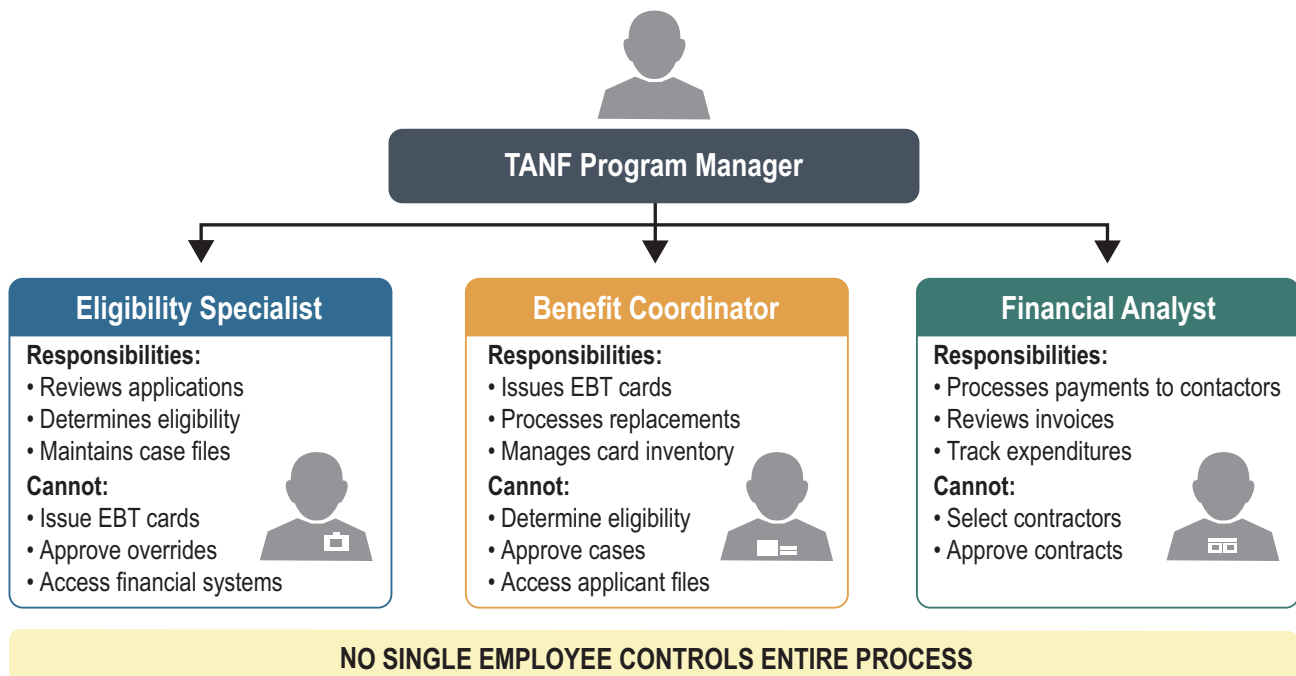
Prevention Strategies^v



- **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^{vi}

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^{vii}



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

Prevention Strategies^{viii}



- **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^{ix}

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^x



- 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^{xi}



- **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.

Protecting TANF Benefits: EBT Card Fraud Prevention

Resource 2

INTRODUCTION

Electronic Benefit Transfer (EBT) cards face multiple fraud threats including manipulation by agency employees who exploit system vulnerabilities, misuse by beneficiaries, and external fraud schemes such as skimming by criminal organizations. This guide focuses on the first two risks, which are within TANF agencies' direct oversight, and provides specific strategies to address both risks through enhanced security features and monitoring protocols.

DOCUMENTED RISK:

GAO identified postings on e-commerce websites selling EBT cards with values ranging from \$100 to over \$5,000, demonstrating a major fraud risk^{xii}.

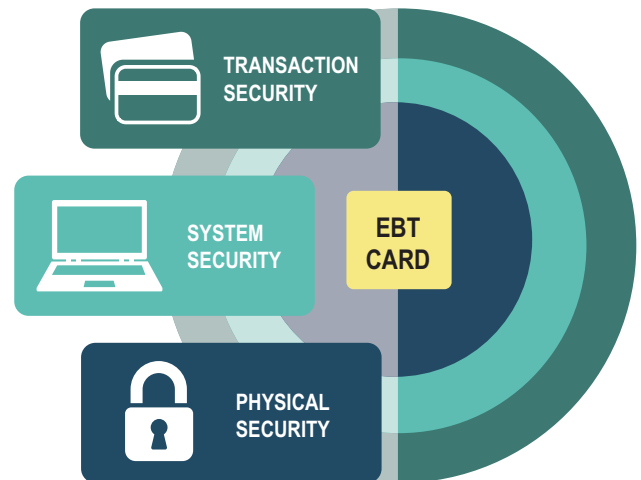
EBT CARD SECURITY FEATURES^{xiii}



TANF agencies can enhance EBT card security by implementing policies and requirements for physical cards, system access, and transaction processing. While some features are managed by EBT processors through their contracts, states have significant control over security policies.



EBT CARD SECURITY LAYERS



Physical Card Security

- **PIN protection requirements:** Set policies preventing weak PINs (for example, 1234 or 1111)
- **Photo identification option:** Include cardholder photo on EBT card
- **Limited replacement policy:** Restrict number of replacement cards per year

System Security

- **Multi-factor authentication for administrative access:** Require additional verification for employee system access
- **Automated timeout for inactive sessions:** Log out users after 15 minutes of inactivity
- **Restricted access based on job function:** Limit system access to necessary functions only
- **Real-time fraud detection algorithms:** Flag unusual transaction patterns immediately

Transaction Security

- **Daily withdrawal limits:** Set maximum daily cash withdrawal amounts
- **Merchant category restrictions:** Maintain continuous monitoring to verify that transactions are blocked at prohibited locations (casinos, liquor stores, adult entertainment)
- **Transaction alerts:** Enable text/email notifications for cardholders



BENEFICIARY FRAUD PREVENTION



COMMON TANF RECIPIENT FRAUD SCENARIOS

Watch for these warning signs of potential fraud



EBT CARD
SELLING



DUPLICATE
BENEFITS



FALSE
IDENTITY

Prevention Strategies



- **Educate beneficiaries:** Provide clear information on proper card use and consequences of selling cards
- **Implement regular card usage reviews:** Conduct quarterly analysis of cardholder transaction patterns to support early detection of unusual spending behaviors
- **Monitor online marketplaces for EBT card sales:** Conduct regular searches on e-commerce platforms using keyword search terms like 'EBT,' 'food stamps,' or other state-specific card names
- **Create an anonymous fraud reporting hotline:** Dedicate a specific phone line for reporting suspected fraud

Detection Methods



- **Analyze unusual transaction patterns:** Flag transactions of unusual amounts and transactions occurring at unusual times or locations
- **Flag multiple card replacements:** Investigate recipients requesting frequent card replacements
- **Track patterns of maximum withdrawals:** Identify cards consistently used for maximum daily amounts

RESPONSE PROCEDURES



FRAUD RESPONSE PROCEDURES

URGENT - Follow these steps immediately when fraud is suspected



NEED HELP? Contact your regional Office of Inspector General hotline or federal partners immediately

For More Information:

- **Full GAO Report 25-107290:** "Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management"
- **GAO Fraud Risk Framework:** Available at [gao.gov](https://www.gao.gov)
- **HHS Fraud Prevention Resources:** Contact your Regional OFA office



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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, 9-10.
- ⁱⁱ United States Government Accountability Office (2025). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 22-24.
- ⁱⁱⁱ United States Government Accountability Office (2025). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 31.
- ^{iv} United States Government Accountability Office (2025). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 24, 31.
- ^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). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 25-26, 31.
- ^{vii} United States Government Accountability Office (2014). [Standards for Internal Control in the Federal Government](#), GAO-14-704G.
- ^{viii} U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance (2023). [FY 2023 Financial Data Follow Up Instructions](#).
- ^{ix} United States Government Accountability Office (2025). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 22-23.
- ^x United States Government Accountability Office (2025). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 22-23.
- ^{xi} United States Government Accountability Office (2015). [A Framework for Managing Fraud Risks in Federal Programs](#), GAO-15-593SP.
- ^{xii} Office of Family Assistance (2023). [SNAP and TANF EBT Card Skimming Prevention](#).
- ^{xiii} United States Government Accountability Office (2025). [Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management](#), GAO-25-107290, 22-23.