



TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Preliminary Observations on State Budget Decisions, Single Audit Findings, and Fraud Risks

Statement for the record by Kathryn A. Larin, Director, Education, Workforce, and
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Statement for the Record to the Committee on Ways and
Means,
House of Representatives

For Release on Delivery Expected at 10:15 a.m. ET
Tuesday, September 24, 2024

GAO-24-107798
United States Government Accountability Office

Accessible Version

GAO Highlights

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Why GAO Did This Study

Annually, the federal government provides \$16.5 billion to states in TANF block grants. In addition, states collectively spend approximately \$15 billion of their own funds. States have increasingly shifted spending from assistance to non-assistance services. Questions have been raised about accountability in the use of TANF funds.

The House Committee on Ways and Means requested GAO review TANF spending and related control practices. This statement is based on GAO's preliminary observations from ongoing work on these topics. This statement describes 1) trends in TANF expenditures over time; 2) the extent of unresolved TANF single audit findings; and 3) how single audit findings can relate to TANF fraud, among other topics.

To conduct the ongoing work on which this statement is based, GAO analyzed state TANF expenditure data from fiscal year 2015 through 2022 (the most current data available), TANF state single audit findings, and adjudicated court cases involving TANF fraud. GAO also reviewed relevant federal laws, regulations, and agency documents.

HHS provided technical comments, which we incorporated as appropriate.

GAO is conducting ongoing work on these and other aspects of TANF and planning to issue related reports in late 2024 and early 2025. GAO will make recommendations in these reports, as warranted.

What GAO Found

Each year, states provide millions of low-income individuals and families cash payments and other supports funded by the Temporary Assistance for Needy Families (TANF) block grant. From fiscal years 2015 to 2022, spending on services such as work-related, education, and training activities—known as “non-assistance,”—increased by 7.1 percent. Over the same period spending on “assistance” including cash payments to qualifying low-income families, decreased by 8.5 percent. However, trends in individual states' use of TANF funds may differ from nationwide trends because states have significant discretion in how to use their TANF block grant funds. Nationwide, state spending in fiscal year 2022 on non-assistance (\$13.8 billion) exceeded spending on assistance (\$7.9 billion).

As part of TANF oversight, independent auditors conduct single audits, and states are required to take corrective action on audit findings as part of their responsibilities as TANF grant recipients. Based on a preliminary review of the most recently available state single audit reports, as of April 30, 2024, GAO identified 155 unresolved TANF findings. (See table.) Auditors reported 50 findings that were “severe,” meaning they involved a material weakness, and 89 that were significant deficiencies. A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. Ninety-nine of the 155 findings have repeated for at least 1 year, meaning they were the same as, or substantially similar to, a finding in a previous audit. These single audit findings—especially those categorized as material weaknesses—are considered particularly serious, as they can indicate severe, longstanding, and uncorrected risks and issues in a federal program.

Number of Unresolved Findings in State Temporary Assistance for Needy Families Single Audit Reports, as of April 30, 2024

Report year	Number of states with findings	Number of unresolved findings
2023	35	102
2022	14	48
2021	2	5
Total	51	155

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

GAO identified TANF fraud risks—such as billing fraud—in its preliminary review of repeat single audit findings. For example, audits spanning 7 fiscal years found that a state agency did not require TANF subrecipients to include supporting documentation for reimbursement requests. GAO also identified similar fraud risks in its preliminary review of selected adjudicated court cases. For example, in 2018, a federal court found that some employees of a TANF subrecipient submitted inflated payroll expenses, including for nonexistent personnel, and inflated invoices with false mileage information. They spent the funds on real estate, resort vacations, and cosmetic surgery, among other things.

Chairman Smith, Ranking Member Neal, and Members of the Committee:

I am pleased to submit this statement on our preliminary observations from ongoing work related to the Temporary Assistance for Needy Families (TANF) block grant. Each year, TANF provides millions of low-income individuals and families with children with cash assistance and other services, called “non-assistance,” to foster economic security and stability.¹ TANF non-assistance services include work-related, education, and training activities; child care; refundable tax credits; child welfare services; and pre-Kindergarten and Head Start classes.

Annually, the federal government provides about \$16.5 billion to states in TANF block grants. In addition, states are required to contribute their own funds, collectively spending approximately \$15 billion annually. At the federal level, the U.S. Department of Health and Human Services (HHS) oversees TANF. As we have previously reported, states have increasingly shifted spending from cash assistance to non-assistance services.² At the same time, questions have been raised about accountability in how states use TANF funds.

The House Committee on Ways and Means requested that we review TANF spending and related control practices. My statement is based on our preliminary observations from our ongoing work on these topics. The statement describes (1) trends in TANF expenditures on assistance and non-assistance, transfers, and unspent funds over time; (2) the timeliness of state TANF single audit report submissions to the Federal Audit Clearinghouse (FAC); (3) the extent of unresolved TANF single audit findings; (4) how single audit findings can relate to TANF fraud risks; and (5) additional ongoing GAO work on TANF.

To conduct the ongoing work on which this statement is based, we analyzed TANF expenditure data reported by states to HHS from fiscal year 2015 through fiscal year 2022 (the most current data available) to identify the ways in which states used their TANF funds.³ We assessed the reliability of these data by interviewing HHS officials about their processes for collecting and reporting this data and by checking for missing data or obvious errors. On the basis of our assessment, we believe that the data are sufficiently reliable for the purpose of describing trends in TANF expenditures, transfers, and unspent balances. We reviewed HHS’s TANF financial expenditure reporting forms and guidance and interviewed HHS officials to determine TANF expenditure reporting categories for this analysis.

¹TANF was established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Pub. L. No. 104-193, 110 Stat. 2105.

²GAO, *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*, [GAO-13-33](#) (Washington, D.C.: Dec. 6, 2012).

³In fiscal year 2015, HHS revised the expenditure categories and accompanying definitions used in TANF financial data collection and changed the accounting method to require states to report actual expenditure totals to offer more insight into how states spend TANF funds.

We also analyzed single audit reports from the FAC from all 50 states and the District of Columbia that were submitted up to April 30, 2024.⁴ We reviewed agency documentation including HHS's *Single Audit Resolution Standard Operating Procedure*. Additionally, we identified examples of TANF fraud risks based on our

preliminary review of (1) adjudicated court cases of TANF fraud from January 2015 through March 2024 and (2) single audit reports. We also reviewed relevant federal laws and regulations. HHS provided technical comments on this statement, which we incorporated, as appropriate. We are completing data collection and analysis for our ongoing work on these and other aspects of TANF. We are planning to issue related reports in late 2024 and early 2025 and will make recommendations in these reports, as warranted. The work on which this statement is based is being conducted in accordance with generally accepted government auditing standards.

Background

TANF Purposes

States are generally allowed to spend TANF funds on services rather than cash assistance as long as these services meet at least one of TANF's four purposes: (1) to provide assistance to needy families so that children may be cared for in their own homes or the homes of relatives; (2) to end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) to prevent and reduce out-of-wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent families.⁵

A state must contribute its own funds—referred to as maintenance-of-effort (MOE) funds—towards TANF purposes as a condition of receiving its full federal award. The MOE requirement for each state is set at 80 percent of the state's spending on TANF's precursor programs in 1994.⁶ A state's federal TANF award may be reduced if the state does not meet its MOE requirement or certain other requirements.

TANF Assistance and Non-Assistance Expenditures and Transfers

TANF expenditures generally fall into two categories: assistance and non-assistance.⁷

- **Assistance** includes cash, payments, and vouchers designed to meet a family's ongoing basic needs. Examples of expenditures include monthly cash payments to qualifying low-income families, foster care

⁴A single audit is an audit of both the entity's financial statements and expenditures of federal awards required for states that meet or exceed a certain expenditure threshold of federal funds each year. See 31 U.S.C. § 7502 and 2 C.F.R. § 200.501. The Single Audit Act requires that an independent auditor performs the audits, and they are typically done either by a private firm engaged by the recipient or by a state or local government audit agency. Further, the Single Audit Act requires recipients to upload these reports to the FAC, which is an internet-based repository that stores both the single audit report and related data.

⁵42 U.S.C. § 601. Spending intended to meet the first two purposes must be for those in financial need.

⁶To meet the MOE requirement, state expenditures must be at least 80 percent of the state's spending in the Aid to Families with Dependent Children program, Emergency Assistance program, Job Opportunities and Basic Skills Training program, and Aid to Families with Dependent Children related child care programs in fiscal year 1994. States that achieve their work participation standards for the year have a lower requirement, set at 75 percent of this historical state spending.

⁷States are generally required to ensure that TANF expenditures are reasonably calculated to accomplish one of the four purposes of TANF. 42 U.S.C. § 604(a)(1).

maintenance payments, and certain subsidies for adoption and guardianship.⁸ Assistance expenditures also include expenditures for supportive services, such as child care, provided to families who are not employed. These supportive services are intended to help recipients of assistance participate in the

workforce. Under federal statute, only families with children or families with a pregnant individual who are financially needy may receive assistance, for up to 60 months.⁹ States and territories have discretion to define certain eligibility requirements for assistance, including financial neediness, and to set benefit amounts.

- **Non-assistance** expenditures include those for child care for families who are employed, as well as work-related, education, and training activities for individuals and families regardless of employment status. They may also include pre-Kindergarten and Head Start; non-recurrent short-term benefits, such as emergency housing payments; child welfare services; other services for children and youth; and services for prevention of out-of-wedlock pregnancies, fatherhood, and two-parent family formation and maintenance.

In addition to assistance and non-assistance expenditures, states can use TANF funds to pay for administrative expenses incurred in providing TANF benefits and services.¹⁰ Also, states can transfer TANF funds for use under the Child Care and Development Fund (CCDF) to provide child care subsidies for low-income families and under the Social Services Block Grant (SSBG) to provide social services to meet certain needs of individuals residing within each state.¹¹

We have previously reported that expenditures for non-assistance services have fewer federal requirements than for assistance.¹² For TANF assistance funds, states are required to provide information and report on their use of TANF funds to HHS through quarterly reports on demographic and economic circumstances and work activities of families receiving assistance. However, no such requirements exist for states' non-assistance services.

When TANF funds are transferred to other programs, these programs' rules and reporting requirements apply to the funds. For example, according to HHS, TANF funds transferred under CCDF are subject to federal child care subsidy program rules, including health and safety requirements. TANF funds transferred under CCDF are also subject to reporting requirements, such as the average subsidy that a family receives and the number of children served. However, HHS has stated that when states use TANF funds directly on child care, these requirements do not apply.¹³

⁸45 C.F.R. § 260.31. See also Department of Health and Human Services. *Instructions for Completion of State TANF Financial Report Form, ACF-196*. May 2022. TANF expenditures categorized as assistance include assistance provided on behalf of a child or children for whom a child welfare agency has legal placement and care responsibility and is living with a caretaker relative; or a child or children living with legal guardians. This also includes subsidies to help the relatives or guardians pay for adoption expenses.

⁹42 U.S.C. §§ 601, 608.

¹⁰Certain administrative costs may not exceed 15 percent of a state's total expenditures.

¹¹States may transfer up to 30 percent of their federal TANF award to CCDF and up to 10 percent of their federal TANF award to SSBG. Combined transfers to these two block grants cannot exceed 30 percent of the state's annual federal TANF grant.

¹²[GAO-13-33](#).

¹³88 Fed. Reg. 67,697 (Oct. 2, 2023).

Federal and State Oversight of TANF

The Office of Family Assistance, within HHS's Administration for Children and Families, oversees and administers TANF. HHS's responsibilities include reviewing state TANF plans, collecting and publishing state expenditure data, monitoring resolution of single audit findings related to TANF, and assessing the risk of TANF fraud.¹⁴

HHS has indicated its oversight of states' use of TANF funds is constrained by its limited statutory authority. For instance, HHS has said that it does not have the authority to obtain information to estimate or report improper payment amounts for TANF. We previously reported that HHS has not developed and reported an improper payment estimate for TANF, although agencies are required to report improper payment estimates for those programs that they have identified as risk susceptible.¹⁵ Reliable estimates are helpful to understand and address financial vulnerabilities and the root causes of improper payments. In April 2022, we recommended that Congress consider providing HHS the authority to require states to report the data the agency needs to estimate and report on improper payments for TANF. As of September 2024, Congress has not acted on this recommendation. HHS has previously requested such authority in its budget proposals, including most recently for fiscal year 2025.

In October 2023, HHS issued a Notice of Proposed Rulemaking intended, in part, to address the misuse of TANF funds.¹⁶ According to HHS, states are spending TANF and MOE funds on a wide range of benefits and services, including some with "tenuous connections" to a TANF purpose and, in some instances, providing supports for families with incomes up to 400 percent of the federal poverty guidelines. HHS's proposed rule seeks to define what "needy" means in terms of income and to clarify when an expenditure is "reasonably calculated to accomplish a TANF purpose." These changes would also establish criteria for assessing the allowable use of funds.

In addition to federal oversight, states are expected to provide their own oversight for TANF assistance and non-assistance expenditures through their single audits. According to the Single Audit Act and the Office of Management and Budget's (OMB) implementing guidance, subpart F of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), states that meet or exceed a certain expenditure threshold of federal funds each year must undergo a single audit and submit the information to the FAC within a designated timeframe.¹⁷ A single audit can identify deficiencies, or

¹⁴The Social Security Act limits HHS's authority to collect TANF data from states. Generally, the agency can only collect certain financial and other data in accordance with section 411 of the act; otherwise, section 417 of the act generally prohibits the agency from collecting any additional information from states.

¹⁵31 U.S.C. § 3352. The Payment Integrity Information Act of 2019 defines improper payments as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments). Pub. L. No. 116-117, § 2, 134 Stat. 113 (2020); GAO, *COVID-19: Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments*, [GAO-22-105397](#) (Washington, D.C.: April 27, 2022).

¹⁶88 Fed. Reg. 67,697 (Oct. 2, 2023).

¹⁷The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing OMB guidance is reprinted in 2 C.F.R. part 200, subpart F. In April 2024, OMB issued revisions to 2 C.F.R. § 200.501, raising the annual threshold of expenditures triggering a single audit or program-specific audit from \$750,000 to \$1 million, effective October 1, 2024. 89 Fed. Reg. 30,046 (Apr. 22, 2024).

audit findings, in the award recipient's financial reporting and related controls, including their compliance with certain provisions of laws, regulations, contracts, or grant agreements that have a direct and material effect on each of its major federal award programs, as well as the recipient's internal controls over compliance for such programs.

OMB's guidance requires HHS, the federal awarding agency of TANF funds to, among other things, ensure that single audits are completed and reports are received in a timely manner. Reports on single audit findings can also help federal agencies, such as HHS, identify fraud risks.

Spending on TANF Expenditure Categories, Transfers, and Unspent Funds Varied Over Time

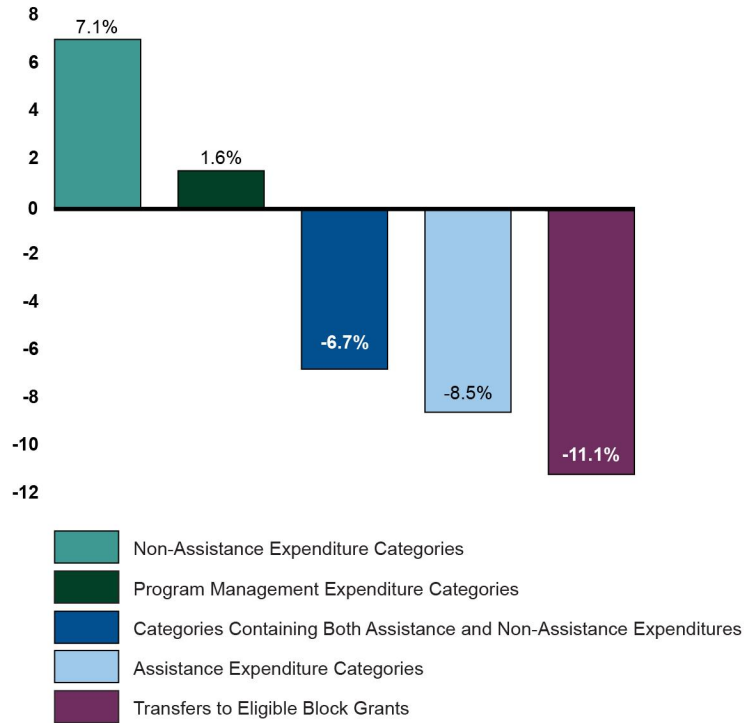
Spending on Non-assistance Increased from Fiscal Years 2015 to 2022

Spending on non-assistance, and to a lesser extent, program management, increased from fiscal years 2015 to 2022. At the same time, spending on assistance and categories that include both assistance and non-assistance decreased, as did transfers to other grants (see fig. 1).¹⁸

According to OMB's guidance, the audit must be completed and submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or 9 months after the end of the audit period (unless a different period is specified in an audit guide for a program-specific audit). If the due date falls on a weekend, or a federal holiday, then the reporting package is due the next business day. 2 C.F.R. §§ 200.507(c)(1), 200.512(a)(1).

¹⁸As previously noted, in fiscal year 2015 HHS revised the expenditure categories and accompanying definitions used in TANF financial data collection and changed the accounting method to require states to report actual expenditure totals to offer more insight into how states spend TANF funds. The most recent fiscal year with available data is 2022.

Figure 1: Percent Change in Temporary Assistance for Needy Families (TANF) Expenditures and Transfers by Category, Fiscal Years 2015-2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Accessible Data for Figure 1: Percent Change in Temporary Assistance for Needy Families (TANF) Expenditures and Transfers by Category, Fiscal Years 2015-2022

Category	Difference
Non-Assistance Expenditure Categories	7.1%
Program Management Expenditure Categories	1.6%
Categories Containing Both Assistance and Non-Assistance Expenditures	-6.7%
Assistance Expenditure Categories	-8.5%
Transfers to Eligible Block Grants	-11.1%

Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

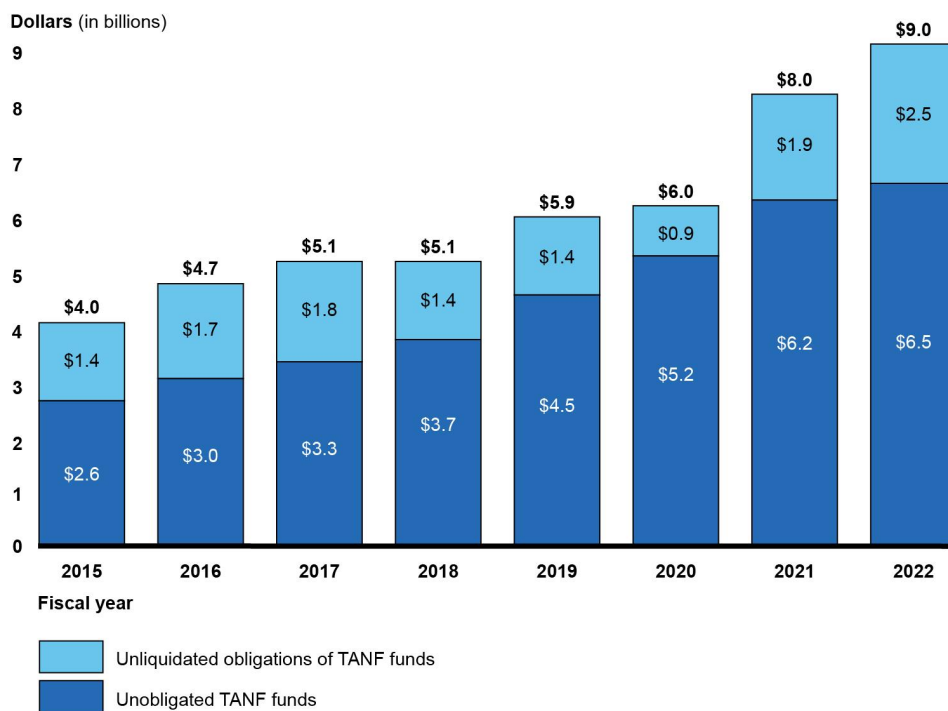
Note: Expenditures include spending from federal TANF funds and state maintenance of effort funds.

However, trends in individual states' use of TANF funds may differ from nationwide trends because states have significant discretion in how to use their TANF block grant funds. For example, from fiscal years 2015 to 2022, non-assistance spending increased in 22 states and the District of Columbia and decreased in 28 states. Over the same period, assistance spending increased in 12 states and the District of Columbia and decreased in 38 states.

TANF Unspent Balances Increased from Fiscal Years 2015 to 2022

States can carry over federal TANF funds not spent in a given fiscal year indefinitely to use in future fiscal years.¹⁹ From fiscal years 2015 to 2022, the total TANF funding states carried over as unspent funds more than doubled, from \$4 billion to \$9 billion, as shown in figure 2.²⁰ This increase is the result of states, overall, spending less of their TANF funds during that period. In fiscal year 2022, 45 states and the District of Columbia had an unspent balance.

Figure 2: Temporary Assistance for Needy Families (TANF) Total Unspent Balances by All States, Fiscal Years 2015-2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Accessible Data for Figure 2: Temporary Assistance for Needy Families (TANF) Total Unspent Balances by All States, Fiscal Years 2015-2022

Fiscal Year	Unobligated TANF Funds	Unliquidated Obligations of TANF Funds	Unspent TANF Funds
2015	2.6	1.4	4.0
2016	3.0	1.7	4.7

¹⁹Under HHS regulations the states use two categories to report on the status of their unspent TANF funds: (1) unobligated balances, which represent funds not yet committed for a specific expenditure by a state; and (2) unliquidated obligations, which represent funds states have committed but not yet spent.

²⁰Federal annual TANF funds do not expire, and states can carry them over indefinitely for use in future fiscal years.

Fiscal Year	Unobligated TANF Funds	Unliquidated Obligations of TANF Funds	Unspent TANF Funds
2017	3.3	1.8	5.1
2018	3.7	1.4	5.1
2019	4.5	1.4	5.9
2020	5.2	0.9	6.0
2021	6.2	1.9	8.0
2022	6.5	2.5	9.0

Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Note: The sum of unobligated TANF funds and unliquidated obligations of TANF funds in the figure may not equal total unspent funds due to rounding

Expenditures in Non-assistance Spending Categories Exceeded Those in Assistance Categories in Fiscal Year 2022

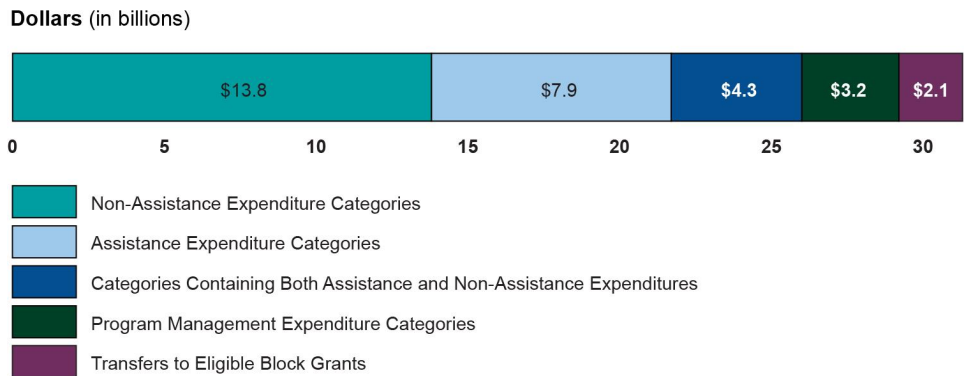
States spent or transferred \$31.3 billion of federal TANF and state MOE funds in fiscal year 2022, according to our analysis of Administration for Children and Families TANF expenditure data.²¹ States spent a total of \$13.8 billion on non-assistance expenditures (44.2 percent of total expenditures and transfers), \$7.9 billion on assistance expenditures (25.2 percent), and \$4.3 billion on expenditures in categories that contain both assistance and non-assistance (13.6 percent).²²

In fiscal year 2022, 41 states and the District of Columbia transferred funds to the CCDF, SSBG, or both, according to our analysis. In total, states transferred \$2.1 billion to these block grants (6.7 percent) (see fig. 3). States also spent \$3.2 billion on program management (10.4 percent).

²¹States report expenditures to HHS by category on Form ACF-196R.

²²Two categories used for state expenditure reporting to HHS in the Form ACF-196R—Child Care and Work Supports—contain expenditures for services that could be considered assistance or non-assistance, depending on the population served.

Figure 3: Temporary Assistance for Needy Families (TANF) Funds Spent or Transferred by States, Fiscal Year 2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Accessible Data for Figure 3: Temporary Assistance for Needy Families (TANF) Funds Spent or Transferred by States, Fiscal Year 2022

Category	Dollar amount
Non-Assistance Expenditure Categories	\$13,842,608,485
Assistance Expenditure Categories	\$7,882,171,525
Categories Containing Both Assistance and Non-Assistance Expenditures	\$4,259,467,679
Program Management Expenditure Categories	\$3,246,197,403
Transfers to Eligible Block Grants	\$2,112,200,560

Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Note: States report federal TANF and state maintenance of effort financial data on Department of Health and Human Services (HHS) Form ACF-196R. Expenditures include spending from federal TANF funds and state maintenance of effort. Eligible block grants are the Child Care and Development Fund and the Social Services Block Grant.

In our ongoing review of state TANF budget decisions, we are examining how selected states budget and allocate TANF funds. In addition, we are examining the extent to which selected states count eligible expenditures made by nongovernmental third parties toward their MOE spending requirements and their policies for these expenditures. This work will also describe the processes selected states have in place to ensure spending on non-assistance services meets TANF’s statutory purposes and ensure accuracy of reporting to HHS. Further, it will review processes the Administration for Children and Families has in place to ensure the accuracy of reporting to assist in oversight of TANF.

Nineteen States Did Not Submit Timely TANF Single Audit Reports to the Federal Audit Clearinghouse

Based on our preliminary review of fiscal year 2023 single audit reports for the 50 states and the District of Columbia, we found that 19 states did not submit their reports to the FAC by their due date (see table 1).²³ In our ongoing work, we will examine how HHS monitors the timeliness of single audit report submissions.

Table 1: Timeliness of Required Fiscal Year 2023 Temporary Assistance for Needy Families Single Audit Report Submissions to the Federal Audit Clearinghouse

State single audit reports, Fiscal Year 2023	Number of states
Submitted by due date	32
Not submitted by due date	19

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

²³The scope of our review of single audit findings includes all 50 states and the District of Columbia. The Single Audit Act defines a “state” to also include the District of Columbia. 31 U.S.C. § 7501(19). Consistent with the act and for brevity, we will use the term “states” throughout this document to include the District of Columbia.

Single Audit Reports Indicate 155 Unresolved TANF Single Audit Findings, Most of Which Are Severe and Longstanding

Based on our preliminary review of the most recently available state single audit reports, as of April 30, 2024, we identified 155 unresolved TANF findings (see table 2).²⁴ An auditor’s single audit TANF findings do not distinguish between program expenditure categories, including cash assistance and non-assistance expenditures.

Table 2: Number of Unresolved Findings in State Temporary Assistance for Needy Families Single Audit Reports, as of April 30, 2024

Year of single audit report	Total number of states with findings	Total number of unresolved findings
2023 ^a	35	102
2022	14	48
2021	2	5
Total	51	155

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

^aFive states submitted their fiscal year 2023 single audit reports after their Federal Audit Clearinghouse due date but before our audit cutoff date of April 30, 2024. As a result, we included the single audit findings from these reports in our analysis.

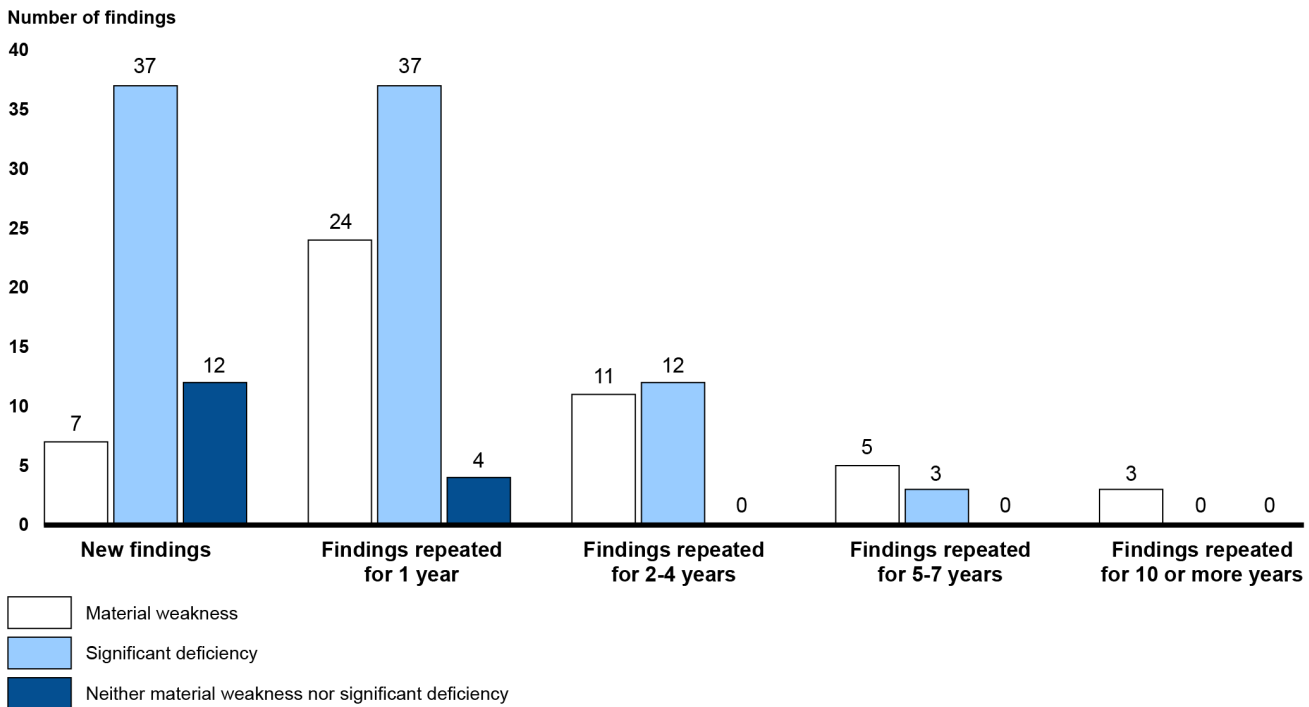
Auditors reported 50 findings that were “severe,” meaning they involved a material weakness, and 89 that were significant deficiencies.²⁵ Ninety-nine of the 155 findings have repeated for at least 1 year (see fig. 4).²⁶ For example, one state has had the same internal control deficiency finding reported for 15 years. This deficiency could lead to the state making payments to ineligible applicants, for an incorrect amount, or for an incorrect length of time. These single audit findings—especially those categorized as material weaknesses—are considered particularly serious, as they can indicate severe, longstanding, and uncorrected risks and issues in a federal program.

²⁴We define unresolved findings as those that have not been corrected or are partially corrected.

²⁵A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

²⁶A repeat finding is one that is the same as, or substantially similar to, a finding in a previous audit.

Figure 4: Unresolved Temporary Assistance for Needy Families Single Audit Findings by Years Repeated for Available Audit Reports, as of April 30, 2024



Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

Accessible Data for Figure 4: Unresolved Temporary Assistance for Needy Families Single Audit Findings by Years Repeated for Available Audit Reports, as of April 30, 2024

Category	Material weakness	Significant deficiency	Neither material weakness nor significant deficiency
New findings	7	37	12
Findings repeated for 1 year	24	37	4
Findings repeated for 2-4 years	11	12	0
Findings repeated for 5-7 years	5	3	0
Findings repeated for 10 or more years	3	0	0

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

Note: A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Federal agencies are required to follow up on single audit findings to ensure that award recipients take corrective action to resolve audit findings, such as questioned costs, which may include payments the

awarding agency determines to be improper.²⁷ We found that 31 of the 155 unresolved TANF findings involve questioned costs. The largest of these involved over \$107 million and has repeated for 2 years. In our ongoing work, we will examine how HHS follows up on unresolved TANF single audit findings.

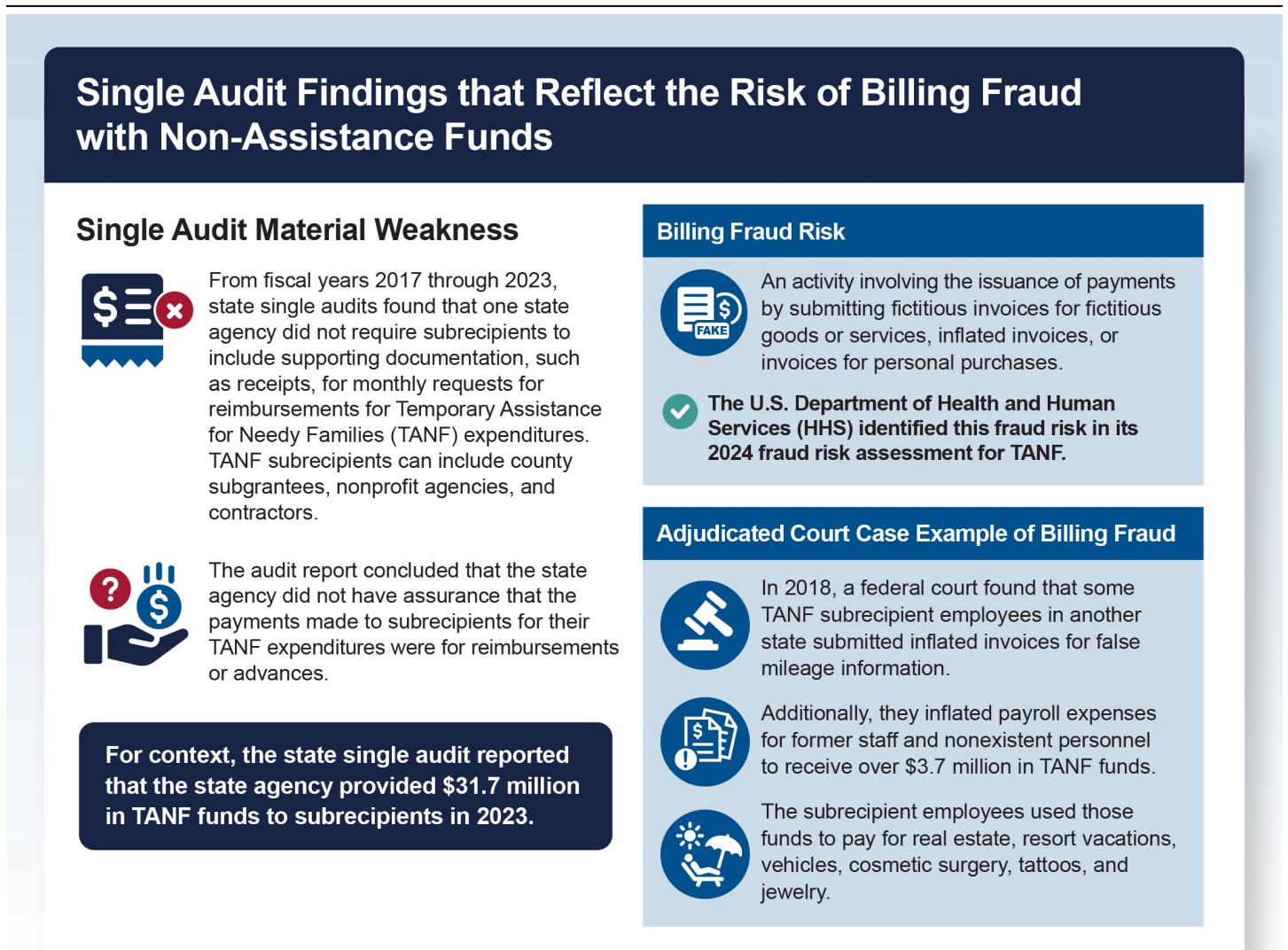
State Single Audit Findings Can Indicate Areas of TANF Fraud Risk

Since single audits are an important oversight tool for ensuring that a federal award recipient has adequate internal controls in place, findings from these audits can indicate areas of fraud risk in TANF.²⁸ Figures 5 and 6 present examples identified in our preliminary review of (1) repeat TANF single audit findings categorized as material weaknesses, (2) related TANF fraud risks, and (3) relevant adjudicated court cases of fraud involving TANF funds.

²⁷As defined in the OMB guidance applicable during our audit period, a questioned cost is an expenditure that an auditor questions because of an audit finding (1) that resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the expenditure, at the time of the audit, is not supported by adequate documentation; or (3) where the expenditure appears unreasonable and does not reflect the actions a prudent person would take in the circumstances. Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C. 2 C.F.R. § 200.1. There are pending revisions to this definition, to be effective October 1, 2024. 89 Fed. Reg. 30,046 (Apr. 22, 2024).

²⁸Fraud and fraud risk are distinct concepts. Fraud involves obtaining a thing of value through willful misrepresentation. This is characterized by making material false statements of fact based on actual knowledge, deliberate ignorance, or reckless disregard of falsity. A fraud risk exists when individuals have an opportunity to engage in fraudulent activity. The existence of fraud risks does not necessarily indicate that fraud exists or will occur. However, fraud risks are often present when fraud does occur.

Figure 5: Example of Single Audit Findings That Reflect the Risk of Billing Fraud with Non-assistance Funds



Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

Accessible Data for Figure 5: Example of Single Audit Findings That Reflect the Risk of Billing Fraud with Non-assistance Funds

Single Audit Findings that Reflect the Risk of Billing Fraud with Non-Assistance Funds

Single Audit Material Weakness

- From fiscal years 2017 through 2023, state single audits found that one state agency did not require subrecipients to include supporting documentation, such as receipts, for monthly requests for

reimbursements for Temporary Assistance for Needy Families (TANF) expenditures. TANF subrecipients can include county subgrantees, nonprofit agencies, and contractors.

- The audit report concluded that the state agency did not have assurance that the reimbursement payments made to subrecipients for their TANF expenditures were for reimbursements or advances. For context, the state single audit reported that the state agency provided \$31.7 million in TANF funds to subrecipients in 2023.

Billing Fraud Risk

An activity involving the issuance of payments by submitting fictitious invoices for fictitious goods or services, inflated invoices, or invoices for personal purchases.

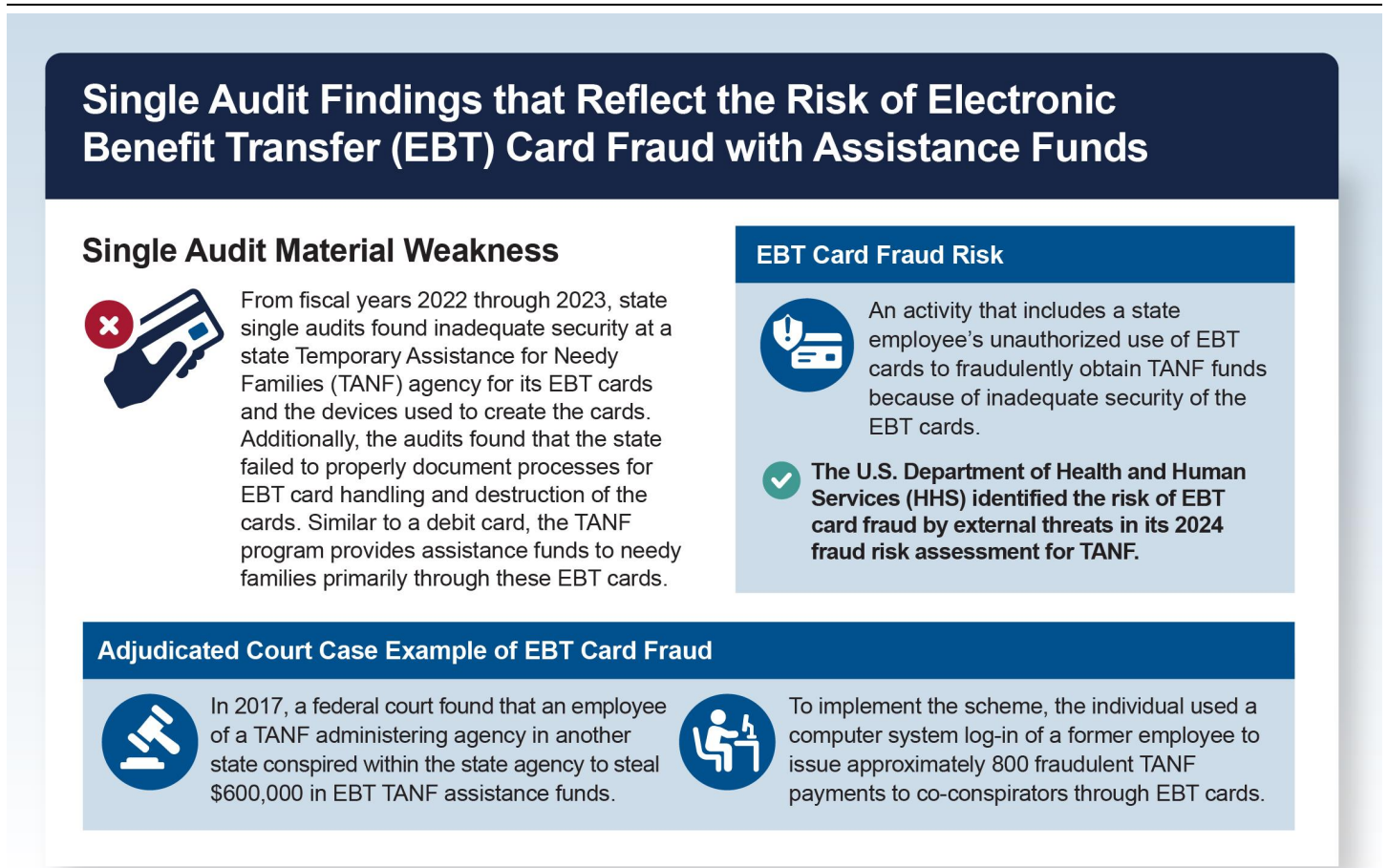
The U.S. Department of Health and Human Services (HHS) identified this fraud risk in its 2024 fraud risk assessment for TANF.

Adjudicated Court Case Example of Billing Fraud

- In 2018, a federal court found that some TANF subrecipient employees submitted inflated invoices for false mileage information.
- Additionally, they inflated payroll expenses for former staff and nonexistent personnel to receive over \$3.7 million in TANF funds.
- The subrecipient employees used those funds pay for real estate, resort vacations, vehicles, cosmetic surgery, tattoos, and jewelry.

Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

Figure 6: Example of Single Audit Findings That Reflect the Risk of Electronic Benefit Transfer (EBT) Card Fraud with Assistance Funds



Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

Accessible Data for Figure 6: Example of Single Audit Findings That Reflect the Risk of Electronic Benefit Transfer (EBT) Card Fraud with Assistance Funds

Single Audit Findings that Reflect the Risk of Electronic Benefit Transfer (EBT) Card Fraud with Assistance Funds

Single Audit Material Weakness

From fiscal years 2022 through 2023, state single audits found inadequate security at a state Temporary Assistance for Needy Families (TANF) agency for its EBT cards and the devices used to create the cards. Additionally, the audits found that the state agency failed to properly document processes for EBT card handling and destruction of the cards. Similar to a debit card, the TANF program provides assistance funds to needy families primarily through these EBT cards.

EBT Card Fraud Risk

An activity that includes a state employee's unauthorized use of EBT cards to fraudulently obtain TANF funds because of inadequate security of the EBT cards.

The U.S. Department of Health and Human Services (HHS) identified the risk of EBT card fraud by external threats in its 2024 fraud risk assessment for TANF.

Adjudicated Court Case Example of EBT Card Fraud

- In 2017, a federal court found that an employee of a state TANF administering agency conspired within the state agency to steal \$600,000 in EBT TANF assistance funds.
- To implement the scheme, the individual used a computer system log-in of a former employee to issue approximately 800 fraudulent TANF payments to co-conspirators through EBT cards.

Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

In January 2021, the Council of the Inspectors General on Integrity and Efficiency reported that grant programs—such as TANF—faced an increased risk of fraud, waste, and mismanagement because of limited visibility and control over expenditures at the award recipient and subrecipient levels.²⁹ Further, a number of court cases reveal opportunities to misuse or divert millions of dollars in TANF assistance and non-assistance funding.

In 2015, we issued *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework) to help federal programs, like TANF, combat fraud.³⁰ The Fraud Risk Framework includes a comprehensive set of leading practices that serve as a guide for program managers to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner.³¹ The objective of fraud risk management is to facilitate the program's mission and strategic goals by ensuring that taxpayer dollars and government services serve their intended purposes.

In our ongoing work, we will assess the extent to which HHS's efforts to manage fraud risks align with the Fraud Risk Framework. This includes, for example, reviewing HHS's first fraud risk assessment of TANF conducted in the agency's Fraud Risk Assessment Portal, which was completed in July 2024.³² Fraud risk assessments prepared in alignment with leading practices provide program managers with insights into the

²⁹Council of the Inspectors General on Integrity and Efficiency, *The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse* (Jan. 2021). TANF subrecipients can include county subgrantees, nonprofit agencies, and contractors.

³⁰GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

³¹As required under the Fraud Reduction and Data Analytics Act of 2015 and its successor provisions in the Payment Integrity Information Act of 2019, the leading practices in GAO's Fraud Risk Framework are incorporated into the Office of Management and Budget's (OMB) guidelines for agency controls. 31 U.S.C. § 3357(b). Specifically, OMB's Circular No. A-123, issued in 2016, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB M-16-17), directs executive agencies, including HHS, to adhere to the Fraud Risk Framework's leading practices as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks. OMB, *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Memorandum M-16-17 (Washington, D.C.: July 2016).

³²According to HHS, the Fraud Risk Assessment Portal methodology was designed to support streamlined, structured, and repeatable fraud risk assessment processes that can accommodate HHS's programs and generate actionable information for managers.

likelihood and impact of fraud schemes and the basis for implementing an antifraud strategy with appropriate controls.

Ongoing Work Examines How States Use Data on Non-assistance Funds and States' Use of TANF for Child Welfare

In addition to the areas of ongoing work discussed above, we are also reviewing other aspects of TANF:

- One review examines TANF non-assistance data that selected states collect and use. Specifically, we will address how selected states use non-assistance funds, what data are available on participant characteristics and outcomes, and how selected states use such data to assess program performance. In addition, this work will examine challenges these states face in collecting and using these data and the extent to which HHS has provided support to address those challenges. To this end, we conducted site visits in eight states in which we interviewed officials from agencies that received TANF funds, such as state and local departments of health and human services, workforce, and education, as well as other entities, such as nonprofit organizations that provide services to low-income individuals and families. We are analyzing selected TANF expenditure data. We are also interviewing HHS officials about technical assistance they provide to states and the agency's efforts to facilitate information-sharing among states regarding non-assistance data.
- A second review examines how states use TANF funds as payments to foster and adoptive families and child welfare services, including transfers from TANF to the SSBG for these purposes. We will compare how states have used TANF funds to how they have used funds from Title IV-B and Title IV-E of the Social Security Act, which are the two largest sources of federal child welfare funding. To do this work, we will analyze TANF, SSBG, Title IV-B, and Title IV-E expenditure data that all states report to HHS. We will also interview TANF and child welfare agency staff in five selected states. Finally, we will interview HHS officials and researchers knowledgeable about TANF and child welfare financing.

Chairman Smith, Ranking Member Neal, and Members of the Committee, this concludes my statement for the record.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Kathryn A. Larin, Director, Education, Workforce, and Income Security, at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement are Kristen Jones (Assistant Director), Jay Palmer (Analyst in Charge), Jeff Arkin, Seto Bagdoyan, Mike Bechetti, Charlotte Cable, James Dalkin, Melanie Darnell, Andrea Dawson, Alexandra Edwards, Gabrielle Fagan, Colin Fallon, Isaac Fifelski, Lisa Fisher, Teressa Gardner, Jackson Gode, James Healy, Gina Hoover, Vivian Ly, Kim Maire, Flavio Martinez, Maria McMullen, James Murphy, Keith O'Brien, Catherine Paxton, Michelle Philpott, Will Stupski, Amy Sweet, Cherry Vasquez, Mackenzie Verniero, and Mercedes Wilson-Barthes.

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