



Highlights of [GAO-04-723](#), a report to the Chairman, Committee on Finance, U.S. Senate, and Chairman, Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

June 2004

TANF AND CHILD CARE PROGRAMS

HHS Lacks Adequate Information to Assess Risk and Assist States in Managing Improper Payments

Why GAO Did This Study

Minimizing improper payments is important given the dollar magnitude of the Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF) programs—about \$34 billion in federal and state funds expended annually. These block grants support millions of low-income families with cash assistance, child care, and other services aimed at reducing their dependence on the government. At the federal level, the Department of Health and Human Services (HHS) oversees TANF and CCDF. Within states, many public and private entities administer these programs and share responsibility for financial integrity. GAO looked at (1) what selected states have done to manage improper payments in TANF and CCDF and (2) what HHS has done to assess risk and assist states in managing improper payments in these programs. To address these questions, GAO judgmentally selected states that varied in geographic location and program size. GAO used a survey to collect consistent information from 11 states and visited 5 states.

What GAO Recommends

GAO recommends that HHS do more to gather information on state internal control systems and to partner with states to address improper payments. In response, HHS said that its current plans are adequate, given the legislative restrictions on its ability to regulate state TANF programs.

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To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda Calborn at (202) 512-9508 or calboml@gao.gov.

What GAO Found

The 16 states in GAO's review reported using various strategies and tools to manage improper payments, but their efforts were uneven. Almost all the states in the review reported that they performed some activities to assess whether their programs were at risk of improper payments. These activities, however, did not always cover all payments that could be at risk, focusing, for instance, on cash welfare payments but not on payments for services, which were more than half of all TANF payments in certain states. As a result, the assessments do not provide a comprehensive picture of the level of risk in these state programs, which would be useful to HHS as it takes steps to address requirements under the Improper Payments Act. States also reported using a variety of prevention and detection tools to protect against improper payments, but states reported fewer tools in place for CCDF than for TANF, particularly in the area of data sharing to verify eligibility. Although the states in GAO's review recognized the importance of addressing improper payments, they cited competing demands for staff attention and resource limitations that constrained their efforts. While addressing improper payments does involve costs, comprehensively assessing risks can help focus prevention and detection efforts on areas at greatest risk.

HHS reported using information from its monitoring activities, including single audits and state financial expenditure reporting to determine if the TANF and CCDF programs are at risk of improper payments. We found however, that these activities do not capture information about the various strategies and tools that states have in place for managing improper payments, such as those we observed in our review. In the absence of such information, HHS cannot determine if the TANF and CCDF programs are susceptible to significant improper payments, as required under the Improper Payments Act. HHS officials acknowledged that they needed more information to be in a position to carry out their responsibilities under the act and therefore recently initiated several projects to gain a better understanding of state control activities. However, HHS's projects do not provide mechanisms to gather information on a recurring basis. The absence of such mechanisms hinders HHS's ability to adequately assess the risk of improper payments and assist states in managing improper payments in these multibillion dollar programs on an ongoing basis. Given the statutory framework of the TANF program, GAO recognizes that HHS may determine that it needs legislative action to direct states to provide the information it needs to take this approach.