



Highlights of [GAO-12-535](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The TANF block grant program provides federal grants to states for various benefits and activities, including cash welfare for needy families with children. TANF is overseen at the federal level by HHS, and administered by states. Most states disburse TANF cash assistance through electronic benefit cards, which can be used to withdraw money or make purchases. Media coverage highlighted cases of cardholders accessing benefits at casinos and other locations that were considered inconsistent with the purpose of TANF. In February 2012, Congress passed a law requiring states to prevent certain transactions at casinos, liquor stores, and adult-entertainment establishments. Within 2 years of enactment, the law also requires HHS to oversee states' compliance with these requirements.

GAO was asked to review the ability of TANF recipients to withdraw TANF funds at certain locations inconsistent with the purpose of TANF, such as gambling or other establishments. To do so, GAO reviewed documentation and interviewed officials from HHS, key industry stakeholders, and the top 10 states in TANF basic block grant dollars. GAO also assessed the completeness and accuracy of EBT transaction data from federal fiscal year 2010 from 4 of the 10 states selected. GAO selected these 4 states on the basis of geographical diversity, and the results of this data analysis cannot be generalized to other states.

What GAO Recommends

GAO is not making any recommendations.

View [GAO-12-535](#). For more information, contact Gregory D. Kutz at (202) 512-6722 or kutzg@gao.gov.

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TANF ELECTRONIC BENEFIT CARDS

Some States Are Restricting Certain TANF Transactions, but Challenges Remain

What GAO Found

Six of the 10 states reviewed by GAO took steps aimed at preventing certain Temporary Assistance for Needy Families (TANF) transactions determined to be inconsistent with the purpose of TANF, despite no federal requirement to do so at the time. Restrictions are based on selected states' laws, executive orders, and other regulations, and generally cover certain locations or certain types of purchases such as alcohol. In some cases, states' restrictions are broader than the new federal requirements. These restrictions vary in their degree and means of implementation, including widespread disabling of Electronic Benefit Transfer (EBT) access at automated teller machines located at certain locations across a state, such as at casinos. The other 4 states had no restrictions because no laws, executive orders, or other regulations prohibited certain transactions based on the location of the transactions or the nature of the goods or services purchased. These states did not implement restrictions due to concerns about cost-effectiveness or technical limitations, according to state officials.

Challenges experienced by states in implementing their current restrictions could inhibit future restriction efforts, including those intended to address new federal requirements. These challenges included difficulties with identifying certain locations that could be prohibited and limitations in available data. For example, the transaction data states receive do not contain information that is accurate or detailed enough for them to identify locations that can potentially be prohibited or restricted. State officials suggested that improvements in the completeness and accuracy of transaction data might better enable them to prevent such transactions. In its assessment of the EBT transaction data from 4 states, GAO found that the data are insufficient for systematic monitoring. To effectively conduct systematic monitoring, including the identification of locations that could be blocked from TANF access, data should be complete and accurate. However, addressing the limitations that GAO found in the transaction data—such as requiring accurate merchant category codes for retailers—could involve significant resources. States that prohibit certain types of purchases generally do not have ways to track what items recipients buy with their cards, partially due to the lack of information in transaction data on specific goods or services purchased. States were also challenged in attempting to track the spending of cash withdrawn with cards. With no controls on how or where individuals spend withdrawn cash, a recipient could withdraw money at an authorized location and use it at certain locations or for certain purchases restricted by some states.

As of July 2012, the Department of Health and Human Services (HHS) was at the beginning of its rulemaking process and did not yet know what form its regulations would take. Until HHS issues regulations or provides further guidance as to what policies and practices are sufficient to comply with new federal requirements, it is unclear to what extent the various restrictions implemented by states would be in compliance. States' restrictions could help inform HHS's oversight efforts, especially any information on the cost-effectiveness and success rates for various state restrictions. Restriction methods that do not rely on flawed transaction data may be the most practical.

We provided HHS with a draft of our report for comment. HHS stated that our report's findings and analysis will be helpful as it drafts implementing regulations, and it provided technical comments that we incorporated, as appropriate.