



# OLDER AMERICANS ACT

## Agencies Should Take Steps to Better Manage Fraud Risks

Report to Congressional Requesters

September 2024

GAO-24-107391

United States Government Accountability Office

Accessible Version

# GAO Highlights

View [GAO-24-107391](#). For more information, contact Seto J. Bagdoyan at (202) 512-6722 or [BagdoyanS@gao.gov](mailto:BagdoyanS@gao.gov).  
Highlights of [GAO-24-107391](#), a report to congressional requesters

September 2024

## OLDER AMERICANS ACT

### Agencies Should Take Steps to Better Manage Fraud Risks

#### Why GAO Did This Study

The Older Americans Act of 1965, as amended, authorizes a wide range of grant programs to help older individuals remain in their homes and to provide support for their needs. Older Americans Act programs received over \$2.3 billion in funding in fiscal year 2023. As the percentage of the U.S. population in this age group increases, demand for these programs' services—such as in-home meals and caregiver support—will likely increase. GAO has previously found that there is an unmet need for services through the Older Americans Act programs, underscoring the importance of safeguarding these funds.

GAO was asked to evaluate fraud risk management in programs authorized by the Older Americans Act. This report examines the extent to which ACL and ETA have (1) designated entities to lead fraud risk management activities and (2) assessed fraud risks in their respective Older Americans Act programs. GAO reviewed relevant policies and documentation, interviewed agency officials, and compared this information with selected leading practices from GAO's Fraud Risk Framework.

#### What GAO Recommends

GAO is making 14 recommendations. This includes that ACL and ETA each designate an entity to lead fraud risk management activities in their Older Americans Act programs, establish policies for regularly assessing fraud risks, and address the five key elements of a fraud risk assessment process. Both agencies concurred with the recommendations and described plans to implement them.

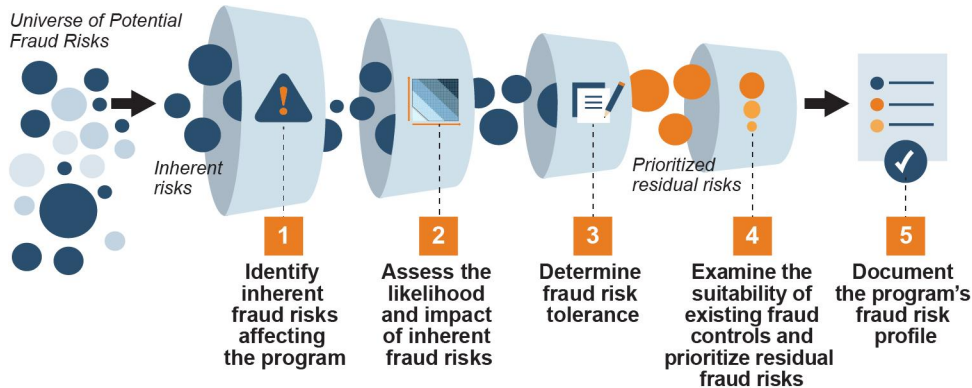
#### What GAO Found

The Department of Health and Human Services' (HHS) Administration for Community Living (ACL) and the Department of Labor's Employment and Training Administration (ETA) administer multiple grant programs under the Older Americans Act. Although ACL and ETA identified various staff involved in financial management and program oversight, they have not assigned specific roles, responsibilities, or authorities for leading fraud risk management activities in their Older Americans Act programs. According to leading practices, program managers should designate an entity with defined responsibilities and necessary authority for leading and overseeing fraud risk management activities. Without designating an antifraud entity, ACL and ETA may not be positioned strategically to manage fraud risks in their Older Americans Act programs.

ACL and ETA have not assessed fraud risks in their respective Older Americans Act programs. Officials at ACL and ETA told GAO that their respective Older Americans Act programs are at a low risk for fraud, but they could not substantiate their conclusions, as they have not assessed fraud risks. Prior cases of fraud illustrate that fraud risks exist in Older Americans Act programs. For example, in January 2019, an individual was sentenced to 57 months in prison and ordered to pay restitution of over \$600,000 for using Older Americans Act grant funds for personal expenses.

Leading practices in GAO's Fraud Risk Framework call for program managers to plan regular fraud risk assessments that are tailored to their programs. Further, the framework outlines five key elements for assessing fraud risks (see fig.).

## Key Elements of the Fraud Risk Assessment Process



Source: GAO (information and icons). | GAO-24-107391

## Accessible Text for Key Elements of the Fraud Risk Assessment Process

1. Identify inherent fraud risks affecting the program
2. Assess the likelihood and impact of inherent fraud risks
3. Determine fraud risk tolerance
4. Examine the suitability of existing fraud controls and prioritize residual fraud risks
5. Document the program's fraud risk profile

Source: GAO (information and icons). | GAO-24-107391

Officials at ACL and ETA told GAO that the agencies consider fraud in other risk assessments, such as those for improper payments. However, these assessments do not meet the five key elements above. ACL officials told GAO that the agency plans to assess fraud risks using an HHS tool in 2025. While the tool may help address the five key elements, the quality of ACL's fraud risk assessment will depend on how the agency implements the tool to carry out the assessment. Without policies for regular fraud risk assessments that address the five key elements, ACL and ETA may not effectively prevent, detect, or respond to fraud in their respective Older Americans Act programs.

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<b>Abbreviations</b>	
ACL	Administration for Community Living
DOL	Department of Labor
ETA	Employment and Training Administration

Fraud Risk Framework	<i>A Framework for Managing Fraud Risks in Federal Programs</i>
FRDAA	Fraud Reduction and Data Analytics Act of 2015
HHS	Department of Health and Human Services
OIG	Office of Inspector General
OMB	Office of Management and Budget
SCSEP	Senior Community Service Employment Program

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441 G St. N.W.  
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September 17, 2024

The Honorable Bill Cassidy, M.D.  
Ranking Member  
Committee on Health, Education, Labor and Pensions  
United States Senate

The Honorable Mike Lee  
United States Senate

The Older Americans Act of 1965, as amended, authorizes a wide range of grant programs to help older individuals remain in their homes and to provide support for their needs.<sup>1</sup> In total, Older Americans Act programs received over \$2.3 billion in funding in fiscal year 2023.

The Department of Health and Human Services' (HHS) Administration for Community Living (ACL) administers most of the grant programs authorized by the act. The largest group of these grants supports state and community programs that provide older individuals (generally aged 60 and older) with nutrition services either in community settings or in their homes. The grants also support activities, such as transportation and personal care services, that help these individuals to continue living in their own homes.

In addition, the Department of Labor's (DOL) Employment and Training Administration (ETA) administers the Senior Community Service Employment Program (SCSEP) under the act. SCSEP provides grants to national nonprofit organizations and state agencies to offer part-time community service and work-based training opportunities for low-income individuals aged 55 and older.

As the percentage of the U.S. population in this age group increases in the near future, demand for the services provided by the Older Americans Act programs will likely increase. We have previously found that there is unmet need for services to support older individuals, such as the Older Americans Act programs.<sup>2</sup> This underscores the importance of safeguarding these funds to ensure they reach individuals they were intended to support.

Further, the Council of the Inspectors General on Integrity and Efficiency has reported that grant programs face an increased risk of fraud, waste, and mismanagement because of limited visibility and control over expenditures at the prime and subgrantee levels.<sup>3</sup> Managers of federal programs—like ACL's and ETA's grant

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<sup>1</sup>Pub. L. No. 89-73, 79 Stat. 218 (1965), codified as amended at 42 U.S.C. §§ 3001 – 3058ff.

<sup>2</sup>GAO, *Older Americans Act: Updated Information on Unmet Need for Services*, [GAO-24-107513](#) (Washington, D.C.: May 17, 2024); and *Older Americans Act: Updated Information on Unmet Need for Services*, [GAO-15-601R](#) (Washington, D.C.: June 10, 2015).

<sup>3</sup>Council of the Inspectors General on Integrity and Efficiency, *The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse* (January 2021). Federal agencies award grants to prime grantees who, in some programs, award funds to subgrantees.

programs—are responsible for managing fraud risks and implementing practices for combating those risks.<sup>4</sup> Effectively managing fraud risks helps to ensure that federal programs’ services fulfill their intended purpose, funds are spent effectively, and assets are safeguarded. In July 2015, we issued *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework), which provides a comprehensive set of key components and leading practices that serve as a guide for agency managers to use when developing efforts to combat fraud in a strategic, risk-based way.<sup>5</sup>

You asked us to evaluate fraud risk management in programs authorized by the Older Americans Act. This report examines the extent to which ACL and ETA have (1) designated entities to lead fraud risk management activities and (2) assessed fraud risks in their respective Older Americans Act programs.

To address both objectives, we reviewed documentation of ACL’s and ETA’s policies and fraud risk management activities related to their Older Americans Act programs. We also interviewed ACL and ETA officials regarding any fraud risk management activities they have undertaken in these programs. We compared this information with selected leading practices in GAO’s Fraud Risk Framework.<sup>6</sup> Specifically, we selected leading practices from the Commit and Assess components because establishing an organizational structure and identifying and assessing fraud risks are key initial steps in developing effective fraud risk management activities. Additionally, we reviewed relevant GAO, HHS and DOL Inspectors General, and State Auditor reports from fiscal year 2015 through April 2024 to identify examples of fraud risks in Older Americans Act programs.

We conducted this performance audit from February 2024 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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<sup>4</sup>Fraud involves obtaining something of value through willful misrepresentation. Willful misrepresentation can be characterized by making materially false statements of fact based on actual knowledge, deliberate ignorance, or reckless disregard of falsity. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond management’s professional responsibility for assessing risk. Fraud risk (which is a function of likelihood and impact) exists when people have an opportunity to engage in fraudulent activity, have an incentive or are under pressure to commit fraud, or are able to rationalize committing fraud. Although the occurrence of fraud indicates there is a fraud risk, a fraud risk can exist even if fraud has not yet occurred or been identified. The Payment Integrity Information Act of 2019 requires the Office of Management and Budget to maintain guidelines for agencies to establish financial and administrative controls to identify and assess fraud risks and that incorporate leading practices detailed in our Fraud Risk Framework. See 31 U.S.C. § 3357(b).

<sup>5</sup>GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

<sup>6</sup>[GAO-15-593SP](#).

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## HHS's Older Americans Act Programs

In fiscal year 2023, ACL's Older Americans Act programs received nearly \$2.0 billion in funding. Most of ACL's funding for Older Americans Act programs (over 85 percent in fiscal year 2023) provides grants for state and community programs on aging. ACL distributes this funding to states based on a statutory formula and oversees the "aging network," which includes state units on aging, area agencies on aging, and local service providers. According to ACL, the aging network includes 56 state agencies on aging, 622 area agencies on aging, more than 260 Native American aging programs, and thousands of service providers and volunteers.

The aging network plans for and provides services to help older adults live independently and remain in their homes and communities. Among other things, these services include community-based and home-delivered nutrition programs, transportation, and support for family caregivers. ACL estimated that Older Americans Act programs provided nearly 262 million meals to older individuals and supported over 54,000 caregivers in fiscal year 2022. Additionally, the agency estimated that its programs provided over 14 million rides to locations like doctor's offices, grocery stores, and senior centers.

The Older Americans Act also authorizes ACL's programs to fund nutrition programs and support services for older Native Americans, as well as training, research, and elder protection programs, among other things. For example, ACL estimated that its programs provided over 6 million meals to older Native Americans in fiscal year 2022. Additionally, ACL reported that more than 17,500 professionals participated in in-person and virtual training to better serve those with Alzheimer's disease and related dementias in 2022.

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## DOL's Senior Community Service Employment Program

ETA provides SCSEP grants to national nonprofit organizations and state agencies. These grantees provide part-time community service and work-based training opportunities for older, unemployed individuals with family incomes of no more than 125 percent of the federal poverty level. Participants are placed in community service settings, such as day care centers, schools, and hospitals. For time spent in orientation, training, and community service assignments, program participants are paid the highest of either the appropriate federal, state, or local minimum wage or the prevailing rate of pay for similar positions by the same employer.

The goal of the program is to provide the participants with subsidized employment and training through community service and position them to obtain unsubsidized employment in the future. In fiscal year 2023, SCSEP received over \$400 million in funding, with approximately 42,000 participants.

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## Fraud Risk Management

The objective of fraud risk management is to ensure program integrity by continuously and strategically mitigating both the likelihood and effects of fraud, while also facilitating a program's mission. The Fraud Risk Framework provides a comprehensive set of leading practices that serve as a guide for agency managers to use when developing efforts to combat fraud in a strategic, risk-based way. As depicted in figure 1, the framework organizes the leading practices within four components: (1) Commit, (2) Assess, (3) Design and Implement, and (4) Evaluate and Adapt.



Figure 1: The Fraud Risk Framework



Source: GAO (information and icons). | GAO-24-107391

**Accessible Text for Figure 1: The Fraud Risk Framework**

- **Commit:** Commit to combating fraud by creating an organizational culture and structure conducive to fraud risk management.
- **Assess:** Plan regular fraud risk assessments and assess risks to determine a fraud risk profile.
- **Evaluate and Adapt:** Evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management.
- **Design and Implement:** Design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation.

Source: GAO (information and icons). | GAO-24-107391

In June 2016, the Fraud Reduction and Data Analytics Act of 2015 (FRDAA) required the Office of Management and Budget (OMB) to establish guidelines for federal agencies to create controls to identify and assess fraud risks to design and implement antifraud control activities. The act further required OMB to incorporate the leading practices from the Fraud Risk Framework in the guidelines.<sup>7</sup> The Payment Integrity Information Act of 2019 repealed FRDAA but maintained the requirement for OMB to provide guidelines to agencies in implementing the Fraud Risk Framework.<sup>8</sup>

In its 2016 Circular No. A-123 guidelines, OMB directed agencies to adhere to the Fraud Risk Framework's leading practices.<sup>9</sup> In October 2022, OMB issued a Controller Alert reminding agencies that they must establish financial and administrative controls to identify and assess fraud risks.<sup>10</sup> In addition, the alert reminded agencies that they should adhere to the leading practices in the Fraud Risk Framework as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks.

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## ACL and ETA Have Not Designated Entities to Lead Fraud Risk Management Activities in Their Older Americans Act Programs

ACL and ETA have not designated entities to design and oversee fraud risk management activities in their respective Older Americans Act programs, which is a leading practice in the Fraud Risk Framework. While ACL and ETA officials identified various staff involved in financial management and program oversight, the agencies have not designated specific roles, responsibilities, or authorities for leading fraud risk management activities.

Leading practices in fraud risk management call for program managers to designate an entity with defined responsibilities and necessary authority for leading and overseeing fraud risk management activities (see textbox). For example, the dedicated entity should oversee the fraud risk assessment process.

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<sup>7</sup>Pub. L. No. 114-186, 130 Stat. 546 (2016).

<sup>8</sup>Pub. L. No. 116-117, § 2(a), 134 Stat. 113, 131 - 132 (2020), codified at 31 U.S.C. § 3357. The act requires these guidelines to remain in effect, subject to modification by OMB as necessary, and in consultation with GAO.

<sup>9</sup>Office of Management and Budget, *Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Circular No. A-123 (Washington, D.C. July 15, 2016).

<sup>10</sup>Office of Management and Budget, *Establishing Financial and Administrative Controls to Identify and Assess Fraud Risk*, CA-23-03 (Washington, D.C.: Oct. 17, 2022).

**Leading Practices for Creating a Structure to Lead Fraud Risk Management Activities**

Leading practices in GAO's Fraud Risk Framework include creating a structure with a dedicated entity to lead fraud risk management activities. Specifically, the leading practices call for designating a dedicated entity to design and oversee fraud risk management activities that

- understands the program and its operations, as well as the fraud risks and controls throughout the program;
- has defined responsibilities and the necessary authority across the program;
- has a direct reporting line to senior-level managers within the agency; and
- is located within the agency and not the Office of Inspector General, so the latter can retain independence to serve its oversight role.

In carrying out this role, the antifraud entity, among other things,

- serves as the repository of knowledge on fraud risks and controls,
- manages the fraud risk assessment process,
- leads or assists with trainings and other fraud awareness activities, and
- coordinates antifraud initiatives across the program.

Source: GAO. | GAO-24-107391

ACL and ETA do not have policies in place that establish specific roles, responsibilities, and authorities for a dedicated entity to lead fraud risk management in their respective Older Americans Act programs. Specifically:

- ACL officials told us that its Center for Management and Budget may function as its antifraud entity, as its responsibilities include oversight of financial resources and internal controls. However, ACL's documentation of these responsibilities does not specifically address the activities identified in the Fraud Risk Framework to be carried out by the antifraud entity. Further, officials told us that specific staff outside of the Center for Management and Budget are responsible for programmatic aspects of its Older Americans Act programs. The Fraud Risk Framework notes that employees across an agency or program can be responsible for the actual implementation of antifraud activities. However, without designating a dedicated antifraud entity, responsibilities for leading fraud risk management activities may be unclear.
- DOL officials told us that the Office of the Chief Financial Officer provides overarching guidance and general oversight of payment integrity and financial matters. Officials added that ETA has responsibility for program oversight, including monitoring SCSEP grants. However, these responsibilities do not specifically address fraud risk management. The agency could not provide documentation that assigns roles or responsibilities for leading fraud risk management activities in SCSEP or explain why such roles were not documented.

Without having a designated antifraud entity with specific roles, responsibilities, and authorities regarding fraud risk management, ACL and ETA may not be positioned to strategically manage fraud risk in their respective Older Americans Act programs.

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## ACL and ETA Have Not Assessed Fraud Risks in Their Older Americans Act Programs

Neither ACL nor ETA has assessed fraud risks in their Older Americans Act programs in accordance with leading practices, and neither agency has established a policy to require such assessments. According to the Fraud Risk Framework, assessing fraud risks is key to developing effective fraud risk management activities. A key responsibility of a dedicated antifraud entity is to manage the fraud risk assessment process. However, as

noted above, neither ACL nor ETA has designated an antifraud entity for its respective Older Americans Act programs.

Prior cases of fraud and Office of Inspector General (OIG) reports illustrate that fraud risks exist in Older Americans Act programs. For example:

- In January 2019, an individual in Wyoming pleaded guilty to theft from an organization receiving federal funds, was sentenced to 57 months in prison, and was ordered to pay restitution of over \$600,000. According to HHS OIG officials, the individual was a Director of a nonprofit that received Older Americans Act funds and used them for personal expenses.
- In October 2018, an individual in Florida pleaded guilty to intentionally misapplying funds from a health care benefit program and was ordered to pay over \$100,000 in restitution. According to the plea agreement, the individual served as the Executive Director of an organization that provided services to people diagnosed with Alzheimer’s disease or other forms of dementia. The individual directed a case manager to assess the individual’s relative—for whom the individual was the primary caregiver—for services. The relative received services funded by the Older Americans Act program that were later found to be unjustified and excessive, while other people were on waiting lists for the same services.
- In September 2018, DOL OIG reported that a SCSEP grantee misused \$4.2 million in grant funds, including for unreasonable compensation expenses for high-level executives, unreasonable severance payments, and unsupported travel and food charges.<sup>11</sup> The OIG report noted that the grantee lacked an effective control environment and was not committed to safeguarding millions of dollars of federal funds from misuse and waste. Although waste does not necessarily involve fraud, it may be an indication of potential fraud.<sup>12</sup>

Leading practices in fraud risk management call for agencies to plan regular fraud risk assessments that are tailored to their programs (see textbox). This may include, for example, a policy that lays out requirements for fraud risk assessments. In June 2024, ACL issued guidance on risk assessments for formula grants in its Older Americans Act programs, to include planning fraud risk assessments. The guidance explains that ACL plans to use HHS’s Fraud Risk Assessment Portal to assess fraud risks starting in 2025.<sup>13</sup> However, the guidance does not fully address the leading practices for regular fraud risk assessments that are tailored to specific programs. For example, the guidance does not identify the stakeholders to be involved in assessing fraud risks or the sources of information to be used. ETA has not issued a policy related to fraud risk assessments.

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<sup>11</sup>Department of Labor, Office of the Inspector General, *Experience Works, Inc. Misused More Than \$4 Million in SCSEP Grant Funds*, Report Number 26-18-002-03-360 (Washington, D.C.: Sept. 28, 2018).

<sup>12</sup>Waste occurs when individuals or organizations expend government resources carelessly, extravagantly, or without adequate purpose. See GAO, *GAO Overview: Understanding Waste in Federal Programs*, [GAO-24-107198](#) (Washington, D.C.: May 9, 2024).

<sup>13</sup>According to HHS officials, the Fraud Risk Assessment Portal is a custom tool built by HHS’s Assistant Secretary for Financial Resources to help HHS agencies and staff divisions create, maintain, and complete fraud risk assessments.

**Leading Practices for Planning Regular Fraud Risk Assessments That Are Tailored to the Program**

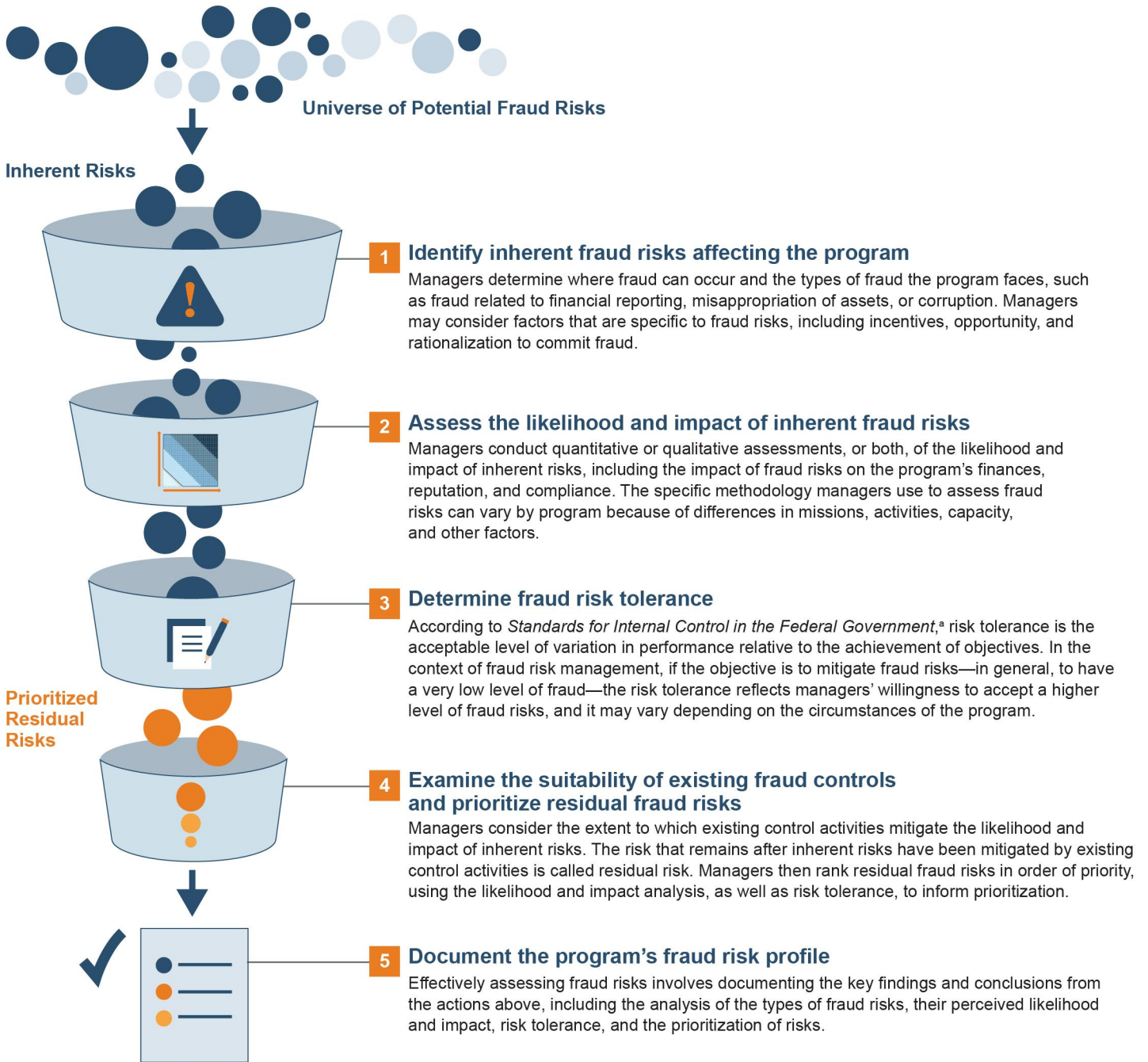
Leading practices in GAO's Fraud Risk Framework include planning regular fraud risk assessments that are tailored to the program. Specifically, the leading practices call for

- tailoring fraud risk assessments to its programs;
- planning to conduct fraud risk assessments at regular intervals;
- identifying tools, methods, and sources for gathering information on fraud risks;
- and
- involving relevant stakeholders in the assessment process.

Source: GAO. | GAO-24-107391

In addition to calling for regular fraud risk assessments, the Fraud Risk Framework includes five key elements for assessing fraud risks in federal programs (see fig. 2).

Figure 2: Key Elements of the Fraud Risk Assessment Process



Source: GAO (information and icons. | GAO-24-107391

**Accessible Text for Figure 2: Key Elements of the Fraud Risk Assessment Process**

- **Identify inherent fraud risks affecting the program:** Managers determine where fraud can occur and the types of fraud the program faces, such as fraud related to financial reporting, misappropriation of assets, or corruption. Managers may consider factors that are specific to fraud risks, including incentives, opportunity, and rationalization to commit fraud.
- **Assess the likelihood and impact of inherent fraud risks:** Managers conduct quantitative or qualitative assessments, or both, of the likelihood and impact of inherent risks, including the impact of fraud risks on the program's finances, reputation, and compliance. The specific methodology managers use to assess fraud risks can vary by program because of differences in missions, activities, capacity, and other factors.
- **Determine fraud risk tolerance:** According to *Standards for Internal Control in the Federal Government*,<sup>a</sup> risk tolerance is the acceptable level of variation in performance relative to the achievement of objectives. In the context of fraud risk management, if the objective is to mitigate fraud risks—in general, to have a very low level of fraud—the risk tolerance reflects managers' willingness to accept a higher level of fraud risks, and it may vary depending on the circumstances of the program.
- **Examine the suitability of existing fraud controls and prioritize residual fraud risks:** Managers consider the extent to which existing control activities mitigate the likelihood and impact of inherent risks. The risk that remains after inherent risks have been mitigated by existing control activities is called residual risk. Managers then rank residual fraud risks in order of priority, using the likelihood and impact analysis, as well as risk tolerance, to inform prioritization.
- **Document the program's fraud risk profile:** Effectively assessing fraud risks involves documenting the key findings and conclusions from the actions above, including the analysis of the types of fraud risks, their perceived likelihood and impact, risk tolerance, and the prioritization of risks.

Source: GAO (information and icons). | GAO-24-107391

<sup>a</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014), 6.08.

Officials from both agencies told us that their respective Older Americans Act programs are at low risk of fraud. However, neither agency has conducted a fraud risk assessment to substantiate these conclusions. ACL officials told us that the agency assessed fraud risks in its Older Americans Act programs in 2021. However, in our review of documentation related to the 2021 assessment, we determined that this assessment focused on identifying certain factors—such as the volume of payments and types of recipients in each program—as a first step to understand how vulnerable the agency is to fraud. As such, the 2021 assessment did not align with the leading practices for assessing fraud risks, such as identifying inherent fraud risks and assessing their likelihood and impact. Additionally, HHS guidance explains that the assessment would be used to drive program-specific fraud risk assessments in the future.

ACL and ETA officials explained that the agencies consider fraud as part of other risk assessments, described below, for their Older Americans Act programs. However, we also determined that these assessments do not meet the leading practices for assessing fraud risks. The Fraud Risk Framework acknowledges that agencies may incorporate fraud risk management activities into other initiatives, like enterprise risk management.<sup>14</sup> That,

<sup>14</sup>According to OMB, enterprise risk management is an effective agency-wide approach to address the full spectrum of an organization's risks by understanding the combined effect of risks as an interrelated portfolio, rather than addressing risks only within silos. Enterprise risk management provides an enterprise-wide, strategically aligned portfolio view of organizational challenges that, when brought together, provides better insight about how to most effectively prioritize and manage risks to mission delivery. See Office of Management and Budget, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.



however, does not eliminate the need for separate and independent fraud risk-management efforts, in a complementary manner. For example, a fraud risk assessment can help managers determine whether existing controls—such as ACL’s and ETA’s grants monitoring processes—appropriately address the risk of fraud in their programs. The other risk assessments mentioned by ACL and ETA officials include efforts related to improper payments and individual grantees.

- **Improper payment risk assessments.** Officials at both agencies noted that they consider fraud as part of risk assessments required for reporting improper payment estimates. We have previously reported that improper payment risk assessments may not necessarily provide insight into fraud risks facing a program or support a conclusion that a program is at low risk of fraud.<sup>15</sup> For example, ETA officials explained that the most recent improper payment risk assessment for SCSEP included 14 qualitative risk factors, including one on fraud. However, these risk assessments do not align with the leading practices for assessing fraud risks. For example, they do not assess the likelihood and impact of inherent fraud risks or identify fraud risk tolerance.
- **Grantee risk assessments.** Similarly, ACL and ETA officials said they assess risks for individual grants prior to awarding funds and at various points during the grant period to help identify the need for technical assistance or monitoring. For example, ACL officials told us that they review a grantee’s drawdown of funds throughout the grant, as the pace of drawdowns can raise concerns about grantee performance that may warrant additional monitoring. Additionally, ETA reviews data to determine whether a grant applicant has been excluded from doing business with the federal government prior to awarding a grant. While they may consider the risk of fraud at a particular grantee, these efforts do not focus on program-level fraud risks or address the leading practices for assessing fraud risks.

The agencies’ plans for future fraud risk assessments vary. In June 2024, ACL officials told us that the agency plans to use HHS’s Fraud Risk Assessment Portal to assess fraud risks in its Older Americans Act programs beginning in 2025. According to agency officials, the Fraud Risk Assessment Portal is a custom tool built by HHS’s Assistant Secretary for Financial Resources to help HHS agencies and staff divisions create, maintain, and complete fraud risk assessments. According to our review of related documentation, the Fraud Risk Assessment Portal may help ACL address the five key elements of a fraud risk assessment. However, the quality of ACL’s fraud risk assessment will depend on how the agency implements the tool. For example, the tool may suggest generic categories of fraud risks based on program characteristics, such as the use of grants, but ACL staff would need to further consider the specific fraud risks inherent to Older American Act programs. As described above, ACL’s risk assessment policy does not identify the sources of information to be used or stakeholders to be involved in assessing fraud risks. As a result, it is too early to determine whether using this tool will address the leading practices for assessing fraud risks. ETA officials did not identify plans to conduct future fraud risk assessments that would align with leading practices.

Without a policy for regular fraud risk assessments to produce a fraud risk profile, ACL and ETA may not effectively prevent, detect, or respond to fraud in their respective Older Americans Act programs. As described in the Fraud Risk Framework, regular fraud risk assessments that address all five key elements would enable

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<sup>15</sup>GAO, *Head Start: Action Needed to Enhance Program Oversight and Mitigate Significant Fraud and Improper Payment Risks*, [GAO-19-519](#) (Washington, D.C.: Sept. 13, 2019). Improper payments are any payments that should not have been made or that were made in an incorrect amount, which can stem from various causes, including fraud, as well as error. We have reported that understanding the relationships and distinctions between improper payments and fraud is important to more effectively target the associated root causes and mitigate the impacts of each. See GAO, *Improper Payments and Fraud: How They Are Related but Different*, [GAO-24-106608](#) (Washington, D.C.: Dec. 7, 2023).



agencies like ACL and ETA to document their fraud risk profiles and inform the design and implementation of effective fraud controls.

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## Conclusions

Older Americans Act programs provide billions of dollars in grants each year to support the needs of older individuals, and the percentage of the U.S. population in this age group is expected to increase. Demand for nutrition services, transportation, and employment opportunities for seniors is likely to increase as a result.

Effective fraud risk management is critical to help ensure that these programs meet their intended purposes and safeguard federal funds. Doing so requires a concerted effort to assign responsibilities to strategically manage fraud risks and comprehensively assess fraud risks to better understand and mitigate these risks.

ACL and ETA have not implemented relevant leading practices for fraud risk management. Specifically, designating a dedicated antifraud entity would better position ACL and ETA to strategically manage fraud risks in their Older Americans Act programs. Further, establishing a policy for planning and conducting regular fraud risk assessments—covering the five key elements—would help ensure that ACL and ETA effectively prevent, detect, and respond to fraud in their respective Older Americans Act programs and safeguard their funds.

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## Recommendations for Executive Action

We are making 14 total recommendations—seven each to ACL and ETA. Specifically:

The Administrator of ACL should designate an entity to design and oversee fraud risk management activities in its Older Americans Act programs. This should include documenting the roles, responsibilities, and authorities for those leading fraud risk management activities. (Recommendation 1)

The Administrator of ACL should establish a policy for regular fraud risk assessments in its Older Americans Act programs that aligns with the leading practices in the Fraud Risk Framework. (Recommendation 2)

The Administrator of ACL should identify inherent fraud risks in its Older Americans Act programs. (Recommendation 3)

The Administrator of ACL should assess the likelihood and impact of inherent fraud risks in its Older Americans Act programs. (Recommendation 4)

The Administrator of ACL should determine a fraud risk tolerance for its Older Americans Act programs. (Recommendation 5)

The Administrator of ACL should examine the suitability of existing fraud controls and prioritize residual fraud risks in its Older Americans Act programs. (Recommendation 6)

The Administrator of ACL should document a fraud risk profile for its Older Americans Act programs. (Recommendation 7)

The Assistant Secretary of ETA should designate an entity to design and oversee fraud risk management activities in SCSEP. This should include documenting the roles, responsibilities, and authorities for those leading fraud risk management activities. (Recommendation 8)

The Assistant Secretary of ETA should establish a policy for regular fraud risk assessments in SCSEP that aligns with the leading practices in the Fraud Risk Framework. (Recommendation 9)

The Assistant Secretary of ETA should identify inherent fraud risks in SCSEP. (Recommendation 10)

The Assistant Secretary of ETA should assess the likelihood and impact of inherent fraud risks in SCSEP. (Recommendation 11)

The Assistant Secretary of ETA should determine a fraud risk tolerance for SCSEP. (Recommendation 12)

The Assistant Secretary of ETA should examine the suitability of existing fraud controls and prioritize residual fraud risks in SCSEP. (Recommendation 13)

The Assistant Secretary of ETA should document a fraud risk profile for SCSEP. (Recommendation 14)

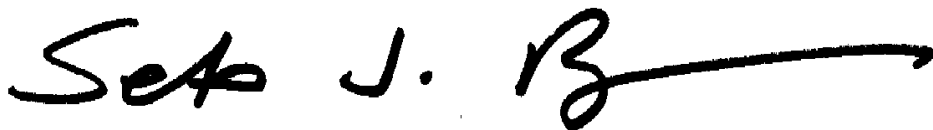
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## Agency Comments

We provided a draft of this report to HHS and DOL for review and comment. HHS and DOL agreed with the recommendations and described plans to implement them in written comments reprinted in appendixes I and II, respectively. Both agencies also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretaries of Health and Human Services and Labor, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-6722 or [BagdoyanS@gao.gov](mailto:BagdoyanS@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Seto J. Bagdoyan". The signature is written in a cursive style, with a long horizontal stroke extending to the right from the end of the name.

Seto J. Bagdoyan  
Director of Audits, Forensic Audits and Investigative Service

# Appendix I: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation  
Washington, DC 20201

August 16, 2024

Seto J. Bagdoyan  
Director, Audits, Forensic Audits and  
Investigative Service  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Mr. Bagdoyana:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, **"OLDER AMERICANS ACT: Agencies Should Take Steps to Better Manage Fraud Risks"** (GAO-24-107391).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

*Melanie Anne Egorin*

Melanie Anne Egorin, PhD  
Assistant Secretary for Legislation

Attachment

**GENERAL COMMENTS FROM THE DEPARTMENT OF HEALTH & HUMAN SERVICES ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED – OLDER AMERICANS ACT: AGENCIES SHOULD TAKE STEPS TO BETTER MANAGE FRAUD RISKS (GAO-24-107391)**

The U.S. Department of Health & Human Services (HHS) appreciates the opportunity from the Government Accountability Office (GAO) to review and comment on this draft report.

**Recommendation 1**

The Administrator of ACL should designate an entity to design and oversee fraud risk management activities in its Older Americans Act programs. This should include documenting the roles, responsibilities, and authorities for those leading fraud risk management activities.

**HHS Response**

HHS concurs with GAO's recommendation. While ACL has designated the Center for Management and Budget (CMB) with responsibility for all fiscal, grant and risk management activities through agency's Statement of Organization, Functions and Delegations of Authority, ACL will explicitly designate the Office of Fiscal Operations within CMB to design and oversee fraud risk management activities in its OAA programs and revise agency policy and procedures to reflect additional details regarding roles and responsibilities.

**Recommendation 2**

The Administrator of ACL should establish a policy for regular fraud risk assessments in its Older Americans Act programs that aligns with the leading practices in the Fraud Risk Framework.

**HHS Response**

HHS concurs with GAO's recommendation. ACL takes its oversight and fraud risk management responsibilities very seriously. We are committed to ensuring that the federal funding we administer is used for their intended purpose, consistent with federal law. As part of that commitment, ACL will more fully develop a policy for regular fraud risk assessments in its OAA programs that aligns with the leading practices in the Fraud Risk Framework. ACL will review our current policy guidance on grants risk assessment and incorporate additional details specifically on Fraud Risk Management (FRM) practices, including timeframes and criteria for conducting fraud risk assessments.

**Recommendation 3**

The Administrator of ACL should identify inherent fraud risks in its Older Americans Act programs.

**HHS Response**

HHS concurs with GAO's recommendation. ACL agrees to identify fraud risks in its OAA programs. ACL will utilize the HHS Fraud Risk Assessment Portal (FRAP), a fraud risk assessment tool, as a resource to identify inherent fraud risk in OAA programs. As an initial step, on March 6, 2024, ACL staff attended FRAP training sessions.

**Recommendation 4**

The Administrator of ACL should assess the likelihood and impact of inherent fraud risks in its Older Americans Act programs.

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**HHS Response**

HHS concurs with GAO's recommendation. ACL will include assessment of the likelihood and impact of inherent fraud risks in its OAA programs as part of revised fraud risk management policies and procedures. To facilitate this effort, ACL plans to leverage HHS FRAP. The resulting fraud risk profile will include the likelihood and impact of inherent fraud risk.

**Recommendation 5**

The Administrator of ACL should determine a fraud risk tolerance for its Older Americans Act programs.

**HHS Response**

HHS concurs with GAO's recommendation. ACL agrees to determine a fraud risk tolerance for its OAA programs. As discussed under recommendations 3 and 4, ACL's first step will be to utilize the new HHS FRAP to identify inherent fraud risk, and once risks are identified, ACL will assess the likelihood and potential impact. Determination of fraud risk tolerance for the program will follow. A work plan will establish a schedule for completion of one or more OAA program fraud risk assessments in the 2025 fiscal year.

**Recommendation 6**

The Administrator of ACL should examine the suitability of existing fraud controls and prioritize residual fraud risks in its Older Americans Act programs.

**HHS Response**

HHS concurs with GAO's recommendation. The HHS FRAP includes a component for developing plans to address fraud schemes and detailing fraud control designs and operations. As part of ACL's revised policies and procedures, the HHS FRAP will be used to examine the suitability of existing fraud controls and prioritize residual fraud risks in its OAA programs. The HHS Fraud Risk Management Community of Practice will be a resource during ACL's evaluation of the existing fraud controls.

**Recommendation 7**

The Administrator of ACL should document a fraud risk profile for its Older Americans Act programs.

**HHS Response**

HHS concurs with GAO's recommendation. ACL's basic documentation will rely on the HHS FRAP. Additional materials will be retained in SharePoint or similar technologies that allow for staff access to historical assessments.

# Accessible Text for Appendix I: Comments from the Department of Health and Human Services

August 16, 2024

Seto J. Bagdoyan  
Director, Audits, Forensic Audits and  
Investigative Service  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

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#### HHS Response

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#### Recommendation 6

The Administrator of ACL should examine the suitability of existing fraud controls and prioritize residual fraud risks in its Older Americans Act programs.

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HHS concurs with GAO's recommendation. The HHS FRAP includes a component for developing plans to address fraud schemes and detailing fraud control designs and operations. As part of ACL's revised policies and procedures, the HHS FRAP will be used to examine the suitability of existing fraud controls and prioritize residual fraud risks in its OAA programs. The HHS Fraud Risk Management Community of Practice will be a resource during ACL's evaluation of the existing fraud controls.

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HHS Response

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# Appendix II: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



August 23, 2024

Seto J. Bagdoyan  
Director, Forensic Audits and Investigative Service  
U.S. Government Accountability Office  
441 G St. N.W.  
Washington, DC 20548

RE: Older Americans Act: Agencies Should Take Steps to Better Manage Fraud Risks

Dear Director Bagdoyan:

The U.S. Department of Labor (Department) appreciates the information, analysis, and insights that the U.S. Government Accountability Office (GAO) has shared in this report. Managing fraud risk in a strategic way for the Older Americans Act program that the Employment and Training Administration (ETA) oversees is a priority for the Department. We note that the Department performs triennial risk assessments and annual reporting of improper payments and integrity efforts under the Payment Integrity Information Act of 2019 and Circular A-123. The Department is in the process of designating a dedicated entity and documenting responsibilities for managing the process of assessing fraud risks.

In reviewing GAO's Fraud Risk Framework and seven recommendations in this report, the Department notes that ETA has implemented some components of the framework and is able to further enhance them to adhere to the leading practices in the framework for the second, third, and fourth recommendations. For example, ETA has tailored fraud risk assessments that emphasize preventative controls assessing inherent likelihood and impact. As another example, ETA is leveraging the Department's Fraud Risk Profile, which prioritizes residual risks after examining existing controls, and the Department has issued guidance on risk tolerance determination and inherent risk ratings assessments. The Department remains committed to moving forward with compiling a Senior Community Service Employment Program (SCSEP) fraud risk profile using the GAO Fraud Risk Framework. We believe this effort will effectively prevent, detect, and respond to fraud in SCSEP and safeguard program funds. The Department's specific responses to GAO's recommendations follow.

In the first recommendation of the report to ETA, GAO recommends:

The Assistant Secretary of ETA should designate an entity to design and oversee fraud risk management activities in SCSEP. This should include documenting the roles, responsibilities, and authorities for those leading fraud risk management activities. (Recommendation 8)

The Department agrees with GAO's first recommendation, which aligns with the leading practices from the Commit and Assess components of the Fraud Risk Framework. ETA has designated its Office of Financial Administration (OFA) as the entity to design and oversee fraud risk management agencywide. Specifically, OFA's Division of Internal Controls, Risk Management and Systems (DIRS) follows the Department's Office of the Chief Financial Officer (OCFO) guidance to ensure program integrity by continuously and strategically mitigating fraud. DIRS will take the lead within ETA and work across offices and teams within ETA with program, grants, monitoring, and budget responsibilities to design and document the roles, responsibilities, and authorities relating specifically to SCSEP fraud risk management activities.

In the second recommendation of the report, GAO recommends:

The Assistant Secretary of ETA should establish a policy for regular fraud risk assessments in SCSEP that aligns with the leading practices in the Fraud Risk Framework. (Recommendation 9)

The Department agrees with GAO's second recommendation for regular fraud risk assessments in alignment with the Fraud Risk Framework. Currently, the Department's OCFO provides guidance Department-wide to complete recurring fraud risk assessments that align with GAO's Framework. DIRS also facilitates an annual A-123, Appendix A risk assessment that includes specific questions on fraud within the "Inherent Risk" section. Currently, positive responses to those fraud questions render a moderate-risk rating which requires risk testing to be completed within a two-year period.

Additionally, OCFO and DIRS have incorporated GAO's Green Book Principle 8 (Assess Fraud Risk) into the Entity Level Controls Questionnaire that is conducted annually across the agency. To further strengthen the Green Book risk assessment component and fraud principle for SCSEP, ETA, particularly DIRS, will expand on the existing A-123 fraud business process control objectives (with an emphasis on preventative controls) to identify specific risks related to the SCSEP program and introduce potential fraud schemes, fraud categories, fraud tree classifications according to the Association of Certified Fraud Examiners (ACFE), responsible units, possible anti-fraud data analytics, and a related fraud response plan. For a large and unique program like SCSEP, ETA will also introduce a SCSEP-specific fraud questionnaire so that ETA can regularly consider emerging risks in SCSEP, and better ensure agency awareness, monitoring, mitigation, and reporting of fraudulent activities. Lastly, ETA will continue to conduct the A-123, Appendix C Payment Integrity Improvement risk assessment according to the defined rotational schedule and will accelerate the assessment if fraud risk within the program is heightened.

In the third and fourth recommendations of the report, GAO recommends:

The Assistant Secretary of ETA should identify inherent fraud risks in SCSEP. (Recommendation 10)

The Assistant Secretary of ETA should assess the likelihood and impact of inherent fraud risks in SCSEP. (Recommendation 11)

The Department agrees with GAO's third and fourth recommendations to identify inherent fraud risks and assess the likelihood and impact of such. ETA collectively evaluates inherent risks by scoring the likelihood (probability that the risk event will occur) multiplied by the impact (potential effect the risk event will have on business operations). The inherent risk calculations are documented in the transactional level controls for A-123, Appendix A, and in documented enterprise risks. The risk scoring in Appendix A testing determines the severity of each process control and identifies which controls will be tested for the year. For example, high to medium scores result in immediate testing, while low scores allow deferment of up to three years. The enterprise risk management (ERM) risk register also requires the same inherent risk score calculations. High scores result in risk elevation to the annual ETA risk profile that ETA monitors and evaluates annually for closure or continued mitigation.

In order to be able to identify risks, ETA will change its risk assessment process to bring together internal program, performance reporting, monitoring, and budget subject matter experts to specifically discuss SCSEP. ETA will collectively assess the likelihood and impact of potential risks identified through this process. ETA will then be better positioned to develop SCSEP-specific responses to such fraud risks, including considering new mandatory control activities, and possible anti-fraud data analytics to deter and monitor real-time fraud and trends if appropriate level of funding is available for the resources needed for implementation. ETA, led by DIRS as the designated entity, will monitor and evaluate control activities, testing results and findings to focus on measuring results to continuously improve the control environment.

In the fifth recommendation of the report, GAO recommends:

The Assistant Secretary of ETA should determine a fraud risk tolerance for SCSEP. (Recommendation 12)

The Department agrees with GAO's fifth recommendation to determine fraud risk tolerance for SCSEP and will determine a fraud risk tolerance specific for SCSEP. Such will be guided by the Department's approach where characteristics are evaluated including potential versus opportunity loss; goal achievement versus negative impact; mitigation approach; and risk approach. Risk tolerance is considered against these characteristics that include designations ranging from very high to very low and determine the extent the program will take risks in achieving objectives (i.e., aggressive tactics or avoidance/acceptance).

In the sixth recommendation of the report, GAO recommends:

The Assistant Secretary of ETA should examine the suitability of existing fraud controls and prioritize residual fraud risks in SCSEP. (Recommendation 13)

The Department agrees with GAO's sixth recommendation to examine the suitability of existing fraud controls and prioritize residual fraud risks. ETA will plan to examine the suitability of existing fraud controls and prioritize residual fraud risks if any are identified. Specifically, DIRS, working with the program offices involved in managing, administering and implementing SCSEP will collaborate to undertake this examination.

Currently, ETA has a number of fraud controls in place. In 2015, ETA issued Training and Employment Guidance Letter (TEGL) 23-15 to provide policy and guidance for determining a "high risk" recipient (non-Federal entity) after Federal award and to describe the process that will be used to address situations when a non-Federal entity is deemed to be at high risk of non-compliance with the Federal award. ETA also developed a revamped, SCSEP-specific Supplement to the Core Monitoring Guide for grants to reflect recent changes in federal statute, regulations, and program policies. The goal of the SCSEP Supplemental Core Monitoring Guide is to provide ETA's reviewers with a tool to perform an on-site review of a grant recipient's core activities and evaluate the management and administration of the grant.

Also, in its Funding Opportunity Announcements, ETA requires SCSEP applicants to provide information about their financial capacity and stability, including their accounting systems, fiscal controls, and the prevention of fraud and other criminal activity. This includes applicants submitting a financial system risk assessment. This information is used by the ETA Grant Office in their Risk Review Process prior to making selections. As part of implementing the other recommendations in this report, ETA will consider whether changes are needed for existing fraud controls.

In the seventh recommendation of the report, GAO recommends:

The Assistant Secretary of ETA should document a fraud risk profile for SCSEP.  
(Recommendation 14)

The Department agrees with GAO's seventh recommendation to document a fraud risk profile for SCSEP. Specifically, DIRS will work with the program, grants, monitoring, and budget offices involved in implementing the SCSEP program to document a fraud risk profile. The ERM risk register requires inherent risk score calculations where higher scores result in risk elevation to the annual ETA Risk Profile and be monitored and evaluated annually for closure or continued mitigation. The risk profile includes inherent risk ratings; risk tolerances; statements and descriptions; measures; and mitigation strategies.

Again, we appreciate the information, analysis, and insights the GAO provided to help us establish and reach our shared goals of mitigating fraud risks in SCSEP and are committed to assessing the Fraud Risk Framework for SCSEP. Thank you for sharing this information and for the opportunity to respond to this report.

Sincerely,



José Javier Rodríguez  
Assistant Secretary

# Accessible Text for Appendix II: Comments from the Department of Labor

August 23, 2024

Seto J. Bagdoyan  
Director, Forensic Audits and Investigative Service  
U.S. Government Accountability Office  
441 G St. N.W.  
Washington, DC 20548

RE: Older Americans Act: Agencies Should Take Steps to Better Manage Fraud Risks

Dear Director Bagdoyan:

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In order to be able to identify risks, ETA will change its risk assessment process to bring together internal program, performance reporting, monitoring, and budget subject matter experts to specifically discuss SCSEP. ETA will collectively assess the likelihood and impact of potential risks identified through this process. ETA will then be better positioned to develop SCSEP- specific responses to such fraud risks, including considering new mandatory control activities, and possible anti-fraud data analytics to deter and monitor real-time fraud and trends if appropriate level of funding is available for the resources needed for implementation. ETA, led by DIRS as the designated entity, will monitor and evaluate control activities, testing results and findings to focus on measuring results to continuously improve the control environment.

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Again, we appreciate the information, analysis, and insights the GAO provided to help us establish and reach our shared goals of mitigating fraud risks in SCSEP and are committed to assessing the Fraud Risk Framework for SCSEP. Thank you for sharing this information and for the opportunity to respond to this report.

Sincerely,

José Javier Rodríguez  
Assistant Secretary



# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Seto J. Bagdoyan, (202) 512-6722 or [BagdoyanS@gao.gov](mailto:BagdoyanS@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Dean Campbell (Assistant Director), James Healy (Analyst in Charge), and Sarah Wu made key contributions to this report. Other contributors include Daniel Dye, Colin Fallon, Kimberly Granger, Barbara Lewis, Kathy Larin, James Murphy, Serena Lo, and Joseph Rini.

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## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

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