

The seal of the State of Texas is partially visible on the left side of the page. It features a five-pointed star in the center, surrounded by a wreath. The words "THE STATE OF TEXAS" are inscribed around the perimeter of the seal.

Final Report:
Child Care Services Program

Protecting Taxpayer Funds and Ensuring Program Integrity

Submitted by
the Texas Workforce Commission
and the Texas Health and
Human Services Commission

February 27, 2026

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Executive Summary

The Texas Workforce Commission (TWC) and the Texas Health and Human Services Commission (HHSC) are unwavering in their commitment to safeguarding taxpayer dollars and ensuring the integrity of TWC's Child Care Services (CCS) program. Through rigorous oversight, advanced data analytics, and a coordinated interagency partnership, TWC employs a proactive, multi-layered strategy to prevent, detect, and address fraud.

Program integrity begins with strong regulatory oversight of child care providers statewide. HHSC's Child Care Regulation (CCR) Department conducts at least one unannounced onsite inspection each year at every licensed and registered child care provider that participates in TWC's CCS program. CCS rules allow licensed child care centers, licensed child care homes, and registered child care homes to serve children enrolled in CCS. In addition, any family that elects to have a relative care for their children must have their relative become a Listed Family Home with CCR. This TWC rule ensures that all CCS child care providers are subject to CCR's Child Care Minimum Standards, including criminal background checks, abuse and neglect registry checks and onsite inspections. CCR also investigates all allegations of noncompliance with statute, rules, and minimum standards at any licensed or registered child care program in accordance with the Texas [Human Resources Code 42.044\(c\)](#).

Based on the organizational structure of child care services in Texas, child care programs are subject to a multi-layered inspection and monitoring process, and receive onsite visits from three entities:

- Texas Health and Human Services Commission (HHSC):
 - HHSC Child Care Regulation (CCR) conducts a minimum of one onsite, unannounced onsite inspection for all TWC CCS providers.
 - In FY 2024, CCR conducted 27,829 onsite inspections at 16,384 licensed child care centers and registered homes, an average of 1.7 inspections annually per regulated provider.¹
- Texas Workforce Commission (TWC):
 - The Texas Rising Star Centralized Assessment Entity conducts onsite visits for Texas Rising Star programs.
 - In FFY 2025, there were 3,849 onsite assessments conducted at 5,665 Texas Rising Star certified providers. Not all providers were visited because many of them attained their initial certification in FFY 2025, so they will begin receiving onsite annual visits in the future.

¹ Source: Child Day Care Licensing Data Book, Fiscal Year 2024

- Local Workforce Development Boards (Boards):
 - The Boards administer the CCS program and since January 2026, they have been required to conduct onsite monitoring visits for any CCS providers that TWC flags as being a high risk provider. In January, TWC flagged 85 providers as high risk, and in February, TWC flagged an additional 40 providers.
 - In addition, TWC is implementing a new requirement for Boards to conduct regular onsite monitoring visits of CCS programs. The number of CCS providers receiving onsite monitoring visits will be available in future months. Approximately 7,500 providers participate in the CCS program each year.

This report outlines Texas’s existing safeguards, recent enhancements, and next steps to further strengthen accountability and address potential vulnerabilities in the integrity of the CCS program. TWC and HHSC are expanding data-sharing capabilities, and TWC is refining risk-based monitoring and proactively identifying high-risk providers for fraud fact-finding investigations.

Together, these actions reinforce Texas’ position as a national leader in CCS program integrity. TWC remains committed to continuous improvement to ensure that CCS funds are used appropriately, that fraud is swiftly addressed, and that Texas families receive safe, high-quality child care services.

Background

On January 5, 2025, Governor Greg Abbott issued six directives to the Texas Workforce Commission (TWC) and the Health and Human Services Commission (HHSC) to identify any potential child care fraud taking place in Texas. TWC, in collaboration with HHSC, was directed to further implement anti-fraud measures and launch investigations into any instances of fraud or misdirection of Child Care and Development Funds (CCDF) in Texas ([Governor Abbott Directs Investigations Into Potential Child Care Funding Fraud In Texas](#)).

The Governor gave TWC and HHSC six specific directives:

1. Review current data collection efforts related to the Child Care Services Program and ensure TWC and Local Workforce Development Boards (Boards) are taking all possible steps to prevent, detect, and eliminate fraudulent activity within the program;
2. Identify high-risk providers who participate in the Child Care Services Program and conduct additional site visits of those providers to ensure compliance with all applicable state and federal laws and regulations;
3. Ensure that all providers participating in the Child Care Services Program are accurately and verifiably reporting the number of children enrolled in the program;
4. Conduct reviews of Child Care Services Program oversight processes for Boards to verify standards of the program are uniformly upheld. For any boards that do not meet standards, corrective action shall be taken, including but not limited to, providing additional trainings and education resources;
5. Enhance access to their online portal and hotline, so Texans can easily report instances of fraud in Texas' childcare system; and
6. Submit all completed provider fraud investigations to federal or state prosecutors as appropriate.

Child Care Services Program

The Texas Workforce Commission (TWC) is the lead state agency responsible for administering the federal Child Care and Development Fund (CCDF) in Texas, and for overseeing the Child Care Services (CCS) program. TWC partners with the HHSC Child Care Regulation (CCR) Department. CCR is responsible for ensuring child care providers protect the health, safety, and well-being of children in regulated child care settings. TWC's CCS program provides financial assistance (subsidies) for low-income parents to allow them to work or attend education/training courses.

TWC allocates CCS funds to the 28 Boards, develops policy, monitors Boards, and ensures federal and state requirements are met.

Families and child care providers must meet the following CCS eligibility requirements:

CCS Families

To be eligible for CCS, the following criteria must be met by families:

- Household income must not exceed 85% of the State Median Income (SMI).
- Child care must be necessary for participation in employment, job training, education, or job search.
- Children must be under age 13 (unless the child has a documented disability in which case the child must be under age 19).
- Children must be U.S. citizens or documented, eligible aliens.

CCS Providers

To be an eligible CCS provider, the following criteria must be met:

- Must be regulated by the Health and Human Services Commission's (HHSC) Child Care Regulation (CCR) Department:
 - As a Licensed Child Care Center, Licensed Child Care Home or Registered Child Care Home; or if they are a relative provider, they must be a Listed Family Home with HHSC CCR.
Note: The provision for relative providers was [added](#) in 2006; being a Listed Family Home ensures that providers have undergone criminal and abuse/neglect background checks.
 - Must not be on CCR Corrective or Adverse Action.
 - Must participate in the Texas Rising Star² program.

NOTE: Federal child care regulations allow states the option of using unregulated entities to provide "informal" child care (friend, family and neighbor child care). Texas does not allow this. As noted above, the only "informal" child care allowed by TWC is relative care, but relatives must be a Listed Family Home through HHSC CCR to participate in the CCS program.

Key TWC CCS program integrity activities include monitoring, auditing, risk analysis, and fraud detection. TWC also ensures compliance with state and federal laws, including fraud prevention protocols mandated by state statute (Texas Labor Code [§301.191](#)).

Local Boards authorize CCS for eligible families, establish Provider Agreements with CCS child care programs, and pay for child care services. Boards are also responsible for fraud deterrence, risk analysis, and fact-finding for high-risk programs.

TWC's Fraud Deterrence and Compliance Monitoring (FDCM) Division oversees fraud, waste, and abuse for all programs that TWC administers, including the CCS program. The FDCM Division works closely with the Boards on fraud prevention and detection efforts.

² [Texas Rising Star](#) is the state's quality rating and improvement system, which measures CCS child care programs on higher standards for quality child care, including Teacher-Child Interactions, and Indoor and Outdoor Learning Environments.

FDCM also refers cases of fraud to the appropriate state or federal authorities for prosecution under the Texas Penal Code, or other state or federal laws.

As required by Texas state law (Texas Labor Code [§301.191](#)), which mandates fraud prevention protocols, TWC's administrative rules authorize Boards to take corrective actions such as withholding payments, recovering funds, terminating provider or parent participation in the CCS program, and making referrals to prosecution if fraud is found. [Texas Administrative Code \(TAC\) Chapter 809, Subchapter F](#), Fraud Fact Finding and Improper Payments, provides general requirements for Boards when monitoring CCS providers. These rules relate to overseeing payments, Corrective Action Plans, and general fraud fact finding procedures. They also establish authority for Boards to develop procedures for the prevention of fraud and require Boards to report all instances of suspected fraud to TWC.

Additionally, TWC maintains a fraud hotline, which allows individuals to call and report any suspected fraud. TWC also has a public-facing portal to report fraud, waste, and abuse in TWC programs, including child care:

- <https://www.twc.texas.gov/services/report-fraud>
- <https://apps.twc.texas.gov/UiFraudSubmission/uifs/uifraud>

Existing Fraud Detection Measures

Prior to the Governor's Directive, TWC and the Boards had many provisions in place to prevent, detect, and eliminate fraud. This section outlines the existing framework and provides historical context and examples.

Onsite Child Care Provider Visits

- TWC's Texas Rising Star Centralized Assessment Entity, the University of Texas Health Science Center Houston's Children's Learning Institute (CLI), conducts onsite assessments of all Texas Rising Star programs.
 - Every three years, a provider receives a full assessment of 100% of the program's classrooms, and providers receive a two-week window in which this full assessment may take place.
 - During the other two years, a provider receives an unannounced onsite monitoring assessment, in which 50% of all the program's classrooms are assessed.
- The HHSC CCR Department conducts onsite licensing inspections of child care providers in accordance with Texas Human Resources Code, Chapter 42.
 - The Texas [Human Resources Code 42.044, Inspections](#), requires CCR to make unannounced licensing inspections at least annually (while children are present at the operation).
 - Providers with licensing deficiencies may be inspected more often.
 - CCR shares relevant inspection data with TWC.

HHSC and TWC Data Analysis

HHSC CCR currently shares various robust data sets daily, weekly, monthly, and quarterly with TWC. This includes a weekly report of providers placed on probation or corrective action. Additionally, the HHSC Child Care Enforcement (CCE) Department notifies TWC when it takes an enforcement action that results in a program closing. TWC uses all child care provider data provided by HHSC to help identify high-risk providers so that Boards can conduct additional fact-finding.

TWC also receives data from CLI, which is collected when Texas Rising Star Assessors conduct onsite visits of child care programs.

Automated Attendance Tracking: Child Attendance and Reporting

- The 82nd Texas Legislature passed [SB 76](#) in 2011 to strengthen efforts to prevent fraud, waste, and abuse of public child care funds. Following this, in December 2012, the TWC's three-member Commission adopted [rules](#), including provisions to strengthen efforts to prevent fraud, waste, and abuse of public child care funds by:

- Ensuring that providers and caregivers are not reimbursed for caring for their own children
- Implementing automated attendance tracking, and ensuring greater parent and provider compliance with attendance and reporting requirements
- Requiring Boards to take corrective action against parents and providers that violate attendance reporting requirements
- These provisions remain in place, in TWC’s CCS rules:
 - [§809.78](#), Attendance Standards and Notice and Reporting Requirements.
 - Requires parents to track the attendance of their children at the child care program
 - A child may be terminated from CCS if they have more than 40 unexplained absences (an unexplained absence is any absence not due to a child’s chronic illness or disability, or to a court-ordered custody/visitation agreement)
 - Parents and providers are notified when a child has accrued 15, 30 and 40 absences
 - [§809.95](#), Provider Automated Attendance Agreement
 - Providers may not perform attendance reporting on behalf of the parent
 - Misuse of attendance reporting is grounds for a fraud determination
 - [§809.112](#), Suspected Fraud
 - Includes improper reporting of attendance
 - [§809.115](#), Corrective Adverse Actions
 - Boards must have policies and procedures to take corrective action when a provider records attendance on behalf of a parent
 - Boards must have policies and procedures about what to do if a parent violates attendance reporting requirements

CCS Provider-Board Agreements

All CCS providers must have an active Provider Agreement with the Boards from which they receive CCS referrals. Boards must include fraud prevention language and requirements in their Provider Agreement. Failure to comply with the Provider Agreement can result in corrective action for the provider.

Boards must provide new CCS child care programs with an orientation that includes information on program integrity, reporting requirements, fraud prevention, and consequences for noncompliance or fraud.

TWC Directives to Boards on Child Care Fraud and the Program Integrity Reporting Tracking System

TWC’s Fraud Deterrence and Compliance Monitoring (FDCM) Division provides regular fraud prevention and fraud reporting training to Board fact-finders on a bi-monthly

basis. In addition, FDCM conducts monthly audits of each Board's fraud-related activities to ensure compliance and consistency across the state, and provides quarterly agency-wide fraud, waste, and abuse liaison training. Training and audits cover potential fraud committed by providers, parents, and program staff and contractors.

Boards are required to ensure that any member of the Board, Board staff, or subrecipient staff with knowledge of suspected fraud, waste, abuse, possible illegal expenditures, unlawful activity, or violations of law or TWC rules, policies, or procedures in the CCS program report the incident to FDCM immediately. FDCM will investigate any suspected fraud involving a Board employee or contractor staff as it relates to the CCS program or CCDF funds.

For parent and provider cases, Boards are required to create a case within 24 hours of the Board learning about a potential incident of fraud. If the Board becomes aware of a potentially high-profile fraud incident, the matter must be referred to FDCM immediately.

TWC's FDCM Division utilizes the Program Integrity Reporting Tracking System (PIRTS) system for tracking child care fraud fact-finding, fraud determinations and recoupments. Boards are required to enter information in PIRTS, in accordance with FDCM's guidance (FDCM Letter 01-2024 and new FDCM Letter 01-2026).

CCS Improper Payments Audit

Every three years, the Administration for Children and Families' (ACF) Office of Child Care requires states to complete the Child Care Development Fund (CCDF) Error Rate Review process and complete the *State Improper Payment Report* (ACF-404 Report).

An improper payment is defined in TWC's CCS rules ([§809.2 \(15\)](#)) as a payment that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements governing the administration of CCDF grant funds. While improper payments are not necessarily related to an instance of fraud, they could include fraudulent payments.

Texas completed the Error Rate Review process in Federal Fiscal Year (FFY) 2007, FFY'10, FFY'13, FFY'16, FFY'19, and FFY'23.

Texas has significant improvements in error rate reductions over the past fifteen years, as summarized below:

Federal Fiscal Year (FFY)	Texas Improper Payment Rate	National Average
FFY'07	8.28%	No data (federal pilot FFY'04-07)
FFY'10	4.3%	Data unavailable
FFY'13	2.19%	5.9%
FFY'16	0.97%	Data unavailable
FFY'19	0.60%	4.53%
FFY'22	0.43%	3.96%

Note: [SB 76](#) was passed by the 82nd Texas Legislature in 2011. Following this, TWC enacted [rule amendments](#), which were adopted in December 2012, to strengthen efforts to prevent fraud, waste, and abuse of public child care funds. These changes align with year over year reductions in TWC's child care improper payment rate.

The national improper payment rate for FFY'22 was 3.96% compared to Texas' improper payment rate of 0.43%. ACF's threshold for requiring a state to be placed on a corrective action plan is 10%, which Texas has consistently been below.

In comparison, Minnesota had an improper payment audit in FFY'12 that found over \$16 million in improper payments, which is an **18.91%** improper payment rate. Minnesota's most recent report is not available online, however, its most recently reported improper payment rate (from federal audit/oversight work tied to the CCDF error rate review) was estimated at ~11 %. This estimate comes from a federal Office of Inspector General (HHS-OIG) [audit](#) of Minnesota's child care assistance payments from 2023.

TWC Early Warning Report

This report identifies CCS parents who file for Unemployment Insurance. Boards use this report to identify parents enrolled in the CCS program who are allowed a three-month period of unemployment while they are receiving CCS, before they must become reemployed. This report is provided to Boards twice a month. The following Technical Assistance Bulletin (TAB) provides more information about how Boards use this report: [TAB 276: Referrals from the Child Care and Unemployment Insurance Early Warning](#)

TWC Child Care Income Report

This report compares all income sources for families that TWC has access to (ex. Unemployment Insurance Wage Records) to the CCS family eligibility income limit of 85% of the State Median Income (SMI) based on family size. Any parents enrolled in the CCS program who are flagged in the Income Report as having income that potentially exceeds 85% must be investigated by the Boards. This report is provided to Boards

quarterly. The following TAB provides more information about how Boards use this report:

[TAB 276: Referrals from the Child Care and Unemployment Insurance Early Warning](#)

Board Websites

TWC requires Boards to ensure that their websites include information on how the public can report suspected fraud, waste, theft or abuse in a TWC program, including Child Care Services. Board websites must include a link to TWC's webpage – [Reporting Fraud, Theft, Waste, or Abuse in a TWC Program](#).

New/Enhanced Actions Based on Governor's Directive

Enhance Data Collection Efforts

HHSC Data Sharing

- TWC and HHSC are currently collaborating to share additional data collected by CCR inspectors during onsite inspections and investigations. A contract amendment to the TWC – HHSC interagency contract is underway.
- HHSC is providing TWC with real-time information if a CCR inspector conducts an onsite inspection of a CCS program, and there are no children present at the program.
- HHSC is providing TWC with real-time information about any CCS child care program that is placed on a safety plan, including when a safety plan restricts the provider from providing child care to unrelated children. CCR may implement a safety plan during the period that a regulated provider is under investigation if the circumstances of the investigation warrant such action.
- HHSC has also expanded the list of individuals who receive information about regulated child care programs that the HHSC Child Care Enforcement (CCE) Department requires to immediately close or cease providing care to children. Boards currently receive a copy of this information from CCE so Boards can take appropriate action to end care/transfer children. HHSC CCE is sharing these notifications with TWC state office staff as well so that TWC can provide an additional layer of oversight to ensure that the Boards are taking the appropriate CCS actions.
- HHSC is conducting a review of existing child care rules related to record keeping and reporting to determine if any rules need to be strengthened to ensure accountability of child care providers receiving CCS subsidies or improve the accuracy of the information reported.

Enhanced Texas Rising Star Assessment Data Collection

- TWC will initiate new data collection requirements for Texas Rising Star assessors. TWC has requested that CLI, TWC's statewide service provider for Texas Rising Star assessments, modify their Engage data system to begin collecting the additional data elements. CLI will complete the necessary system changes by March 19, 2026, and a new report will be available beginning March 31, 2026.

Enhanced CCS Attendance Data Collection

- TWC has revised attendance reporting requirements to mandate that parents record *both* the sign-in and the sign-out of their children. This change will enable TWC to conduct more robust reporting and analysis of the number of CCS children present at each child care program at any given time and how much time those children are in child care each day. This requirement will be effective April 1, 2026.
- TWC has also revised attendance reporting procedures for providers. Providers have two options for parents to log their child's CCS attendance:
 - A TWC-issued tablet
 - A data transfer from the provider's Childcare Management System (CMS)
For those providers using a CMS, effective April 1, 2026, only CMS vendors that support transmission of all TWC-required data elements will be accepted. Providers using noncompliant CMSs will be required to use a TWC-issued tablet.

Identify CCS High Risk Providers and Conduct Additional Site Visits

High-Risk CCS Report

- Following the Governor's Directive, TWC immediately developed a new CCS Provider High-Risk Report, using data that TWC currently has available from the CCS program, and from HHSC CCR Department. The first High-Risk CCS report was provided to Boards on January 16, 2026.
- TWC is in the process of developing a more robust high-risk report using additional data elements that are currently being analyzed.
- Each Board's Point of Contact (POC) for fraud prevention is responsible for each case listed in the report, including onsite visits to the identified providers, case fact-finding, and fraud determinations. Additional Board and contractor staff are allowed to assist with fact-finding and onsite visits after they receive TWC fraud investigative training.
- TWC also reduced the amount of time that Boards must conduct fact-finding for high-risk providers from 90 days to 30 days. TWC's FDCM Division and Child Care & Early Learning (CC&EL) Division will issue Workforce Development (WD) Letter 03-26 in March 2026, providing guidance to Boards detailing procedures for investigating these high-risk cases. The guidance reinforces existing requirements and updates fraud fact finding procedures with the goal of fully effectuating the Governor's Directive.

- The next high-risk report was distributed to Boards on February 17, 2026. Boards are continuing to conduct fact-finding for the CCS providers included in the prior high-risk reports they received.

Onsite Board Monitoring of CCS Providers

- TWC is implementing a new requirement for Boards and their CCS contractors to develop and implement a risk assessment to determine how to prioritize onsite monitoring visits of providers. Risk assessments will place increased scrutiny on 24-hour providers and child care homes. TWC is also implementing a new requirement for Boards and their CCS contractors to develop a local monitoring plan that includes a goal to visit all providers receiving CCS funds over a multi-year period based on the number of providers and available local Board resources.

Implementation of TX3C: Integrity Central

- TWC has expedited the rollout of the TX3C: Integrity Central module. Integrity Central is a new analytic tool that analyzes CCS program data to identify patterns and outliers that warrant investigation for potential fraud. TWC staff training on utilizing Integrity Central took place on January 15, 2026. Board training took place January 22nd, 23rd, and 27th. TWC and Boards have already begun to use the system.
- TWC's CC&EL Division is implementing a new process to monitor Board use of Integrity Central and to follow up with Boards with low rates of usage.

Ensure Accurate Reporting of Enrollment and Attendance Numbers

Compliance with CCS Attendance Tracking Requirements

- A new TWC CCS Provider Attendance Tracking report has been developed, which flags any CCS providers not using the automated attendance system. TWC began providing this report to the Boards weekly beginning the week of January 9, 2026, and now requires them to follow up with providers flagged for not using the attendance system.
- TWC also provided a sample Service Improvement Agreement (SIA) for Boards to use for providers not using the attendance system. Those providers have one week to come into compliance or take steps to address any technical issues they are facing. Providers that do not come into compliance within a week will have CCS payments withheld, followed by termination of their agreement to participate in CCS.

- Each Tuesday, CC&EL provides Boards with a list of providers who are not using the automated attendance system. [WD 08-23, Change 9](#) was released, codifying the prior guidance that Boards received and instructing them to enter into Service Improvement Agreements (SIAs) for any providers not in compliance. See the table below for more detailed information from TWC’s Workforce Development (WD) Letter 08-23, Change 9, which instructs Boards on how to implement these new requirements:

WD 08-23, Change 9	
NLF:	Boards must notify CCS providers of the following: <ul style="list-style-type: none"> • Providers that are not using the attendance system will be placed on a Service Improvement Agreement (SIA) notifying them that they have one week to use the new system. • The SIA also notifies providers that if they are not using the new attendance system within one week of the execution of the SIA, CCS payments will be withheld until they come into compliance, and the Board may terminate the provider’s CCS agreement for breach of contract.
NLF:	Boards must inform their staff that if a provider is unable to use the automated attendance system through no fault of their own (for example, they have not yet received a tablet), the provider must not be placed on an SIA or have their payments withheld. The provider must supply documentation of their due diligence to connect to and use the system.

Note: “NLF” in the WD letter indicates that Boards must comply with the direction and they have “no local flexibility.”

- In February 2026, TWC sent messages via the CCS case management system to all CCS providers and parents reminding them of the importance of signing their children in and out of child care each day.
- Additionally, TWC released [WD 14-22, Change 4](#) on February 5, 2026 with a new template for [CCS Provider Agreements](#). The new template includes a specific notation for all CCS providers reminding them that they are subject to onsite monitoring and includes a requirement for CCS providers to notify Boards 30 days in advance if they plan to sell their program.

WD 14-22, Change 4, Child Care Services Provider Agreement Template	
20.	ONSITE MONITORING. The provider acknowledges that they may be subject to onsite monitoring of their child care facility by a Board, its Contractor, or TWC relating to compliance with this Agreement.
39.	ATTENDANCE. In accordance with §809.78, the Provider agrees to: <ul style="list-style-type: none"> • follow attendance reporting and tracking procedures required by TWC and the Contractor; • ensure that the owner, director, assistant director, or other employees do not: <ul style="list-style-type: none"> ➤ have access to a parent's login information to access TWC’s attendance system; or ➤ perform the attendance or absence reporting function on behalf of the parent, except in cases as detailed in WD Letter 08-23, Change 9, “Texas Child Care

Connection and Child Care Automated Attendance—Update” and subsequent issuances;

- if using a supported Child Care Management System to collect attendance from parents, ensure that attendance data is uploaded to TWC’s child care case management system at least weekly;
- report misuse of TWC’s automated attendance system;
- report instances in which a parent/sponsor refuses to use the attendance system to report a child’s attendance;
- report discrepancies in a child’s authorization for care and TWC’s automated attendance system within five days of receiving the authorization;
- report instances in which a newly authorized child does not attend within five days of the beginning of the authorization;
- report intent to sell with 30 days’ advanced notice; and
- within two business days report whenever a child has been absent for five consecutive days with no contact.

Improve CCS Oversight Processes for Local Workforce Development Boards

Parents Who Owe CCS Funds

- TWC is ensuring that Boards have procedures in place to identify any parents who owe funding back to the CCS program, as they are not permitted to re-enroll in CCS until those funds are paid back. TWC’s CC&EL Division emailed all Boards with reminders on the requirement that they ensure that they flag any parent/family who owes CCS funds with the “Prohibit Enrollment” flag in the CCS case management system. The email also directed all CCS caseworkers to confirm that any parent/family that owes back funding is not re-enrolled into CCS. The funds must be paid back before they are eligible to receive CCS again.

Board Training and Enhanced TWC Oversight

- FDCM and CC&EL held a conference call with Boards regarding new requirements related to fraud fact-finding on CCS providers who have been identified as high-risk on January 9, 2026. Additionally, FDCM’s Office of Investigation also provided training for using the Program Integrity Reporting Tracking System (PIRTS) on January 21, 2026, to key Board program integrity staff.
- FDCM is providing weekly PIRTS training for Board Investigators. All Boards’ primary Points of Contact (POC) have received PIRTS training and by February 17, 2026, all Boards had the opportunity to train additional POCs on PIRTS. In January and February, Office of Investigations staff spent 264 hours training 62 individuals from Boards in PIRTS. Office of Investigations staff also spent 84 hours of staff time

enhancing our Board fraud training. FDCM is monitoring Board investigations and will improve trainings and support as necessary.

- FDCM oversees Board processes for the required creation of PIRTS cases for CCS high-risk providers. FDCM identified four Boards who had not entered their PIRTS cases; CC&EL and FDCM reached out to those Boards' Executive Directors to ensure that they understand their responsibilities. As a result, all Boards local processes are now in compliance with TWC's requirement for PIRTS case creation.
- Clifton Larson Associates (CLA) submitted a finding to TWC during the TWC Single Audit. The finding concerned Boards that did not follow TWC child care fraud collection procedures. In 12 of the 40 cases that were reviewed, Boards did not ensure that the first collection letter was issued within the required 30-day timeframe. CLA noted that the letters were issued, however, they were not issued timely based on the TWC established timeframe. TWC is initiating more robust processes to oversee Board's child care fraud processes and will include oversight of this issue. This oversight will now include notification to Board Executive Directors when collection letters or actions are not taken within the required timeframe.

TWC Rule Amendments

- FDCM is reviewing TWC's Chapter 809 Child Care Rules, Fraud Fact-Finding and Improper Payments Subchapter, and considering clarifications regarding TWC's authority, to authorize more robust corrective actions and to specify additional investigatory parameters.

Enhance Access to Online Portal and Hotline

TWC Website Updates

- TWC has updated its Fraud Reporting webpage: [Reporting Fraud, Theft, Waste, or Abuse in a TWC Program](#). The updated webpage more prominently features information on how to report child care fraud.

New TWC Fraud Portal

- TWC has created a Child Care Fraud Form that can be downloaded and completed with detailed information about the alleged fraud and can then be uploaded to TWC's online Fraud Reporting portal.
- TWC is also developing a new and improved online Fraud Reporting portal. The new portal will have a dedicated Child Care submission page with enhanced data collection functionality.

TWC Hotline

- TWC has updated its Fraud Hotline messaging to specifically inform callers about how to report Child Care fraud.
- TWC coordinated with the U.S. Administration for Children and Families to update the national website regarding whom to contact in Texas to report issues of suspected CCS fraud: [Report A Child Care Concern | Childcare.gov](#).

Submit Completed Fraud Investigations to Prosecutors

TWC Guidance to Boards

- TWC's FDCM Division will issue a guidance letter to Boards in March 2026 addressing requirements for submitting completed fraud investigations to law enforcement for prosecution.
- TWC's update to the Chapter 809 Child Care rules will also include a provision to mandate prosecution in accordance with this guidance.