



January 30, 2026

The Honorable Greg Abbott
Governor
State Capitol Building, Room 2S.1
Austin, Texas 78701

Dear Governor Abbott,

In response to your letter dated January 5, 2026, directing the Texas Workforce Commission (TWC) and the Texas Health and Human Services Commission (HHSC) to investigate any potential fraud in TWC's Child Care Services program, enclosed is TWC and HHSC's jointly developed interim progress report. We will submit a final report, as required by your directive, on February 27, 2026. Please direct any questions regarding this report to Michael Britt, TWC's Director of Governmental Relations.

Respectfully,

A blue ink signature of Joe Esparza, consisting of a stylized, flowing script.

Joe Esparza
Chairman & Commissioner Representing Employers
Texas Workforce Commission

A black ink signature of Stephanie Muth, written in a cursive style.

Stephanie Muth
Executive Commissioner
Texas Health and Human Services Commission

CC: Alberto Trevino, III, TWC Commissioner Representing Labor
Brent Connett, TWC Commissioner Representing the Public
Randy Townsend, TWC Interim Executive Director
Reagan Miller, TWC Child Care & Early Learning Division Director

Interim Report: Child Care Services Program Fraud Prevention and Detection

Background

The Texas Workforce Commission (TWC) is the lead state agency responsible for administering the federal Child Care and Development Fund (CCDF) in Texas. TWC partners with the Texas Health and Human Services Commission's (HHSC) Child Care Regulation (CCR) Department. CCR is responsible for protecting children by regulating child care providers to ensure they meet required health and safety standards. TWC administers the Child Care Services (CCS) program, which 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 Local Workforce Development Boards (Boards) in Texas, develops policy, monitors Boards, and ensures federal and state requirements are met. 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](#)). TWC's CCS rules address fraud prevention and detection in [Subchapter F](#), Fraud Fact-Finding and Improper Payments.

TWC's Fraud Deterrence and Compliance Monitoring (FDCM) Division oversees fraud, waste and abuse for all programs that TWC administers, including the CCS program. FDCM works closely with the Boards on fraud prevention efforts. FDCM staff also elevate reports of suspected fraud to the appropriate state or federal authorities for prosecution under the Texas Penal Code, or other state or federal laws.

[Subchapter F](#) of TWC's Child Care Rules provides general requirements for Boards when monitoring providers, including payments, Corrective Action Plans and [§809.111. General Fraud Fact-Finding Procedures](#), which establishes authority for a Board to develop procedures for the prevention of fraud and requires Boards to report suspected fraud to TWC.

State law and TWC administrative rules authorize Boards to take corrective actions like withholding payments, recovering funds, terminating provider participation, and making referrals to prosecution if fraud is found. TWC maintains a fraud hotline which allows individuals to call and report any suspected fraud; TWC also has a 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>

Interim Progress Report - January 30, 2026

This report is submitted in response to the Governor’s directive of January 5, 2026, regarding proactive measures to prevent, detect, and eliminate the misuse of taxpayer funds within the Texas Child Care Services program (CCS). This interim report outlines the progress made by the Texas Workforce Commission (TWC) and the Texas Health and Human Services Commission (HHSC) in addressing the key action items outlined in the directive.

TWC and HHSC are committed to protecting the integrity of the CCS program and ensuring that taxpayer dollars are used effectively to support Texas families. We are actively implementing the measures outlined in this report to prevent, detect, and eliminate fraud within the program. TWC and HHSC will continue to work closely together and with other stakeholders to achieve these goals.

The information in this report provides a high-level overview of the child care fraud prevention efforts that TWC and HHSC are undertaking in response to the Governor’s Directive. Some of the information is intentionally vague because TWC does not publicly disclose the details of its fraud detection protocols and processes.

1. Identify High-Risk Providers and Conduct Additional Site Visits

High-Risk CCS Report

- TWC immediately developed a new CCS Provider High-Risk Report, using data that TWC currently has available from the CCS program, and from HHSC’s Child Care Regulation (CCR) Department. The first High-Risk CCS report was provided to Local Workforce Development Boards (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 on-site visits at the identified providers, case fact-finding, and fraud determinations. Additional Board and contractor staff are allowed to assist with fact-finding and on-site visits after they receive TWC fraud investigative training.
- TWC also modified the timeline that Boards have to conduct fact-finding for high-risk providers from 90 days to 30 days. TWC’s Division of Fraud Deterrence and Compliance

Monitoring (FDCM) and Child Care & Early Learning Division (CC&EL) are developing further guidance for Boards detailing procedures for investigating these high-risk cases. The guidance will reinforce existing requirements and update fraud fact finding procedures with the goal of fully effectuating the Governor’s Directive. This additional guidance will be issued in February 2026.

Implementation of TX3C: Integrity Central

- TWC is expediting 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 are immediately beginning to use the system. CC&EL will monitor Board use and facilitate any ongoing technical assistance needs.

2. Review and Enhance Data Collection Efforts

HHSC Data Sharing

- HHSC currently shares various robust data sets daily, weekly, monthly, and quarterly with TWC. TWC and HHSC are currently collaborating to enhance data sharing of additional data collected by CCR inspectors during on-site inspections and investigations. A contract amendment is underway to the TWC – HHSC interagency contract.
- In addition, HHSC is conducting a review of existing day care rules related to record keeping and reporting to determine if rules need to be strengthened to ensure accountability of child care providers receiving CCS subsidies and the accuracy of the information reported.

Enhanced Texas Rising Star Assessment Data Collection

- TWC receives data from the University of Texas Health Science Center at Houston’s Children’s Learning Institute (CLI), TWC’s statewide service provider for Texas Rising Star assessments.
- TWC will initiate new data collection requirements for Texas Rising Star assessors. TWC has requested that the CLI modify their Engage data system to begin collecting this additional data and has requested an ETA for this change.

3. Ensure Accurate Reporting of Enrollment and Attendance Numbers

CCS Attendance Tracking

- 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 9th and requiring them to follow up with providers flagged for not using the attendance system.
- TWC also provided a sample Service Improvement Agreement 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.

4. Review of CCS Oversight Processes for Local Workforce Development Boards

- TWC will ensure that Boards have procedures in place to identify any parents who owe recoupment 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 TX3C notes any parent/family who owes recoupment funds with the "Prohibit Enrollment" flag. 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.
- 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 Friday, January 9th. Additionally, FDCM's Office of Investigation also provided training for using the Program Integrity Reporting Tracking System (PIRTS) on Wednesday, January 21st, to key Board program integrity staff. FDCM is monitoring Board investigations and will provide additional trainings and support as necessary.
- 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, to specify additional requirements for Board investigations, and to enhance Board accountability.

5. Enhance Access to Online Portal and Hotline

- TWC has updated the Fraud Reporting webpage: [Reporting Fraud, Theft, Waste, or Abuse in a TWC Program](#). The updated webpage prominently features information on how to report child care fraud.
- TWC has also 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 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 has updated its Fraud Hotline messaging to specifically inform callers how to report Child Care fraud.

6. Submit Completed Fraud Investigations to Prosecutors

- TWC's FDCM Division will issue a guidance letter to Boards in February 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.