

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ADMINISTRATION FOR CHILDREN AND FAMILIES  
OFFICE OF CHILD CARE (OCC)

OMB Clearance No.: 0970-0323  
Expiration Date: 1/31/2025

## STATE IMPROPER PAYMENTS REPORT (ACF-404)

### Part I. Program Assurances and Certifications

The Lead Agency, named below, assures and certifies the following:

1. The data collection process, including sample selection and case record reviews, adhered to all requirements of the instructions and regulations for Error Rate Reporting at 45 CFR 98 Subpart K.
2. The reviews were not conducted by persons who make or approve eligibility determinations or who are under the supervision of persons responsible for eligibility determinations.
3. All reviewers have been trained to ensure that the review process is consistent with state policies and that there is consistency within the state in interpretation of what is an error.
4. The state agrees to retain Record Review Worksheets, the State Improper Payments Report and any revisions, and any other records pertinent to the case reviews and submission of error rate reports for five years from the date of submission of the State Improper Payments Report or final revision submitted, whichever date is later.
5. The state understands that this information, including the sampled case records and calculations are subject to federal review.

Submission Date: 08/09/2023

Name: Gwen Snyder



Signature:

Title: Policy Analyst

State: TEXAS

State Agency:

Phone Number:

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Fiscal Year: 2022

### Part II. Error Measures Reporting

Items	Amount
Improper Payments Reporting	
1. Number of cases reviewed	276
2. Total number of cases with an error	40
3. Percentage of cases with an error	14.49%
4. Total number of cases with an improper payment	11
5. Percentage of cases with an improper payment	3.99%
6. Total number of cases with an improper payment error due to missing or insufficient documentation (MID)	0
7A. Total number of MID errors with identified potential improper payments	0
7B. Total dollar amount of potential improper payments resulting from the MID errors. Apply the state's pooling factor if pooled funds were used.	\$0
8A. Total number of MID potential improper payment errors that was mitigated using an additional inquiry (AI)	0
8B. Total dollar amount of MID potential improper payments that was mitigated using an AI. Apply the state's pooling factor if pooled funds were used.	\$0
9A. Total number of MID improper payment errors that, after an AI was considered and possibly used, still resulted in an improper payment	0
9B. Total dollar amount of MID improper payments that resulted even after an AI was considered and possibly used.	\$0
10. Total amount of payments for the sampled cases. Apply the state's pooling factor if pooled funds were used.	\$133,932
11. Total amount of improper payments for review period (gross amount of underpayments and overpayments)	\$587
11A. Total amount of underpayments for review period. Apply the state's pooling factor if pooled funds were used.	\$67
11B. Total amount of overpayments for review period. Apply the state's pooling factor if pooled funds were used.	\$520
12. Percentage of the total amount of payments for the sampled cases that are improper payments	0.44%
13. Average amount of improper payments	\$53
14A. Total annual amount of CCDF subsidy payments	\$981,607,669
14B. Estimated annual amount of improper payments	\$4,319,074
15. Check the appropriate response based on whether the state combines or pools funds, and conducted its reviews based on a sample drawn from a universe of cases served by these pooled funds. Check one of the following:	
<input type="checkbox"/> a. The review was not based on a sample drawn from pooled funds.	
<input checked="" type="checkbox"/> b. The review was based on a sample drawn from pooled funds, and the state applied pooling factor from the most recent ACF-800 reporting form.	
	b-i. Indicate the number of sampled cases that used pooled funds. 18
	b-ii. Indicate the percentage of sampled cases that used pooled funds. 6.52%
	b-iii If the Lead Agency did not apply the pooling factor to all sample cases, please describe which cases the pooling factor was applied to and why. Otherwise, enter N/A

Numerator (TWC and DFPS with CCDF Funding Only) Divided by Denominator (All TW C CCDF and non-CCDF and outside funding sources) resulted in a 98.64%.

<input checked="" type="checkbox"/> c. The review was based on a sample drawn from pooled funds, but the state did not apply the pooling factor found on the most recent ACF-800 reporting form.	c-i. Provide the pooling factor.0.00%
	c-ii. Explain the derivation of this pooling factor.
	c-iii. Indicate the number of sampled cases that used pooled funds.
	c-iv. Indicate the percentage of sampled cases that used pooled funds.0.00%
	c-v. If the Lead Agency did not apply the pooling factor to all sample cases, please describe which cases the pooling factor was applied to and why. Otherwise, enter N/A

**16. Number of replacement cases used each month of the 12-month review period and reason for each replacement**

Replacement Case	Month of Review Period	Reason for Replacement Cases	Other Comments	# of Times Reason Used
1	October	Other	Case transferred to another county	1
2	September	Other	Case transferred to another county	2

### Part III. State Response to Error Measures Findings

**17. Describe lessons learned or improvements made in implementation of the review process during the current review cycle.**

TWC continues to refine guidance for income calculation and the suggested number of paystubs used for income calculation in the Child Care Services Guide. As the Child Care Improper payment reviews occurred, Board Technical Assistance continued to remind Boards of the importance of case noting any situation during an eligibility determination when staff didn't utilize the number of paystubs outlined in Board/Contractor policies.

Board Technical Assistance (TA) Visits have now switched to virtual events which has increased the ability of our TA team to meet more regularly with Boards that have been identified as needing additional attention.

Desk aids have been created to help simplify income calculation guidance and TA continues to stress to Boards that either paystubs or an Employment Verification Form (EVF) should be requested and not both documents. Having both paystubs and an EVF present can be confusing and create two different income amounts when monitors review the case.

The new case management system, fully launching in Fall of 2023, will standardize the income calculation process so one income calculation tool and process will be used across the entire state. Standardization of income calculation should reduce these errors.

**18. For each potential improper payment error due to missing or insufficient documentation, enter the following:**

- the Element number of the RRW where the error was identified;
- a description of what documentation was missing or insufficient;
- the dollar amount of the potential improper payment;
- a description of the AI that was done or an explanation of why there was no appropriate AI;
- (if an AI was used) the dollar amount (if any) that was able to be mitigated;
- (if an AI was used) how the state determined whether or not the potential improper payment could be mitigated.

a) Element #	b) What was the MID?	c) Dollar amount of potential IP	d) AI used? Describe why or why not	e) How much mitigated?	f) Explain how state determined whether or not the potential IP could be mitigated	Delete
N/A		N/A		N/A		

**19. Identify all causes of improper payments (see Item 4 above). List each cause, the number of cases with an error due to this cause, an example of an error, and whether this cause involved missing or insufficient documentation.**

Cause	# Cases	Example	MID? (Y/N)	Delete
Incorrect Provider Rate	3	Incorrect transportation rate entered which resulted in higher provider rate paid.	N	
Ineligible due to not meeting participation	2	Client was not meeting participation requirements for a single parent household.	N	
Data Entry Error/No PSOC or Incorrect PSOC	7	Wrong sliding scale fee was used for parent share of cost.	N	

**20. List the causes of improper payment errors identified in Item 19. For each cause, describe the action steps planned in between review cycles in order to reach the targeted reductions identified in Item 23, the timeline for implementing the action steps, and method(s) that will be used to measure progress and the impact of the action steps.**

Error	Cause of Error	Action Steps	Timeline	Progress Measurement
1	Incorrect Provider Rate	New Provider Agreement template will streamline this data collection and make it easier for staff to verify correct rates entered into the system of record. Additionally, a request of 2nd level review before data entry is confirmed at the local level.	August 2023	Boards will continue to monitor at the local level based on their local procedures. TWC will review up to 10% of all provider agreements and verify that information in the system of record matches the rates in the provider agreement. This will be done annually.
2	Ineligible due to not meeting participation	Additional training/desk aids will be developed by Child Care Technical Assistance and the Child Care Guide will be reviewed for potential clarifications.	October 2023	Boards will continue to monitor at the local level based on their local procedures. TWC will conduct regular reviews of random cases to ascertain if cases are being worked accurately. Up to 10% of cases will be reviewed at the state level and findings will be sent to the local level.
3	Data Entry Error/No PSOC or Incorrect PSOC	Child Care Technical Assistance will provide additional training and conduct regular reviews of case samples.	October 2023	Boards will continue to monitor at the local level based on their local procedures. New system launch will allow a streamlined method to access reports at both the state and local level and can identify

these issues so they can be reviewed and TA can be offered. TWC will run reports to monitor any cases where the PSO C of cost is identified as an outlier, based on the eligibility type.

**21A. State the amount of improper payments the state expects to recover as a result of the review. \$520**

If the amount is less than the total amount of overpayments (see Item 11B above), provide a summary of the reasons limiting the collections.

N/A

**21B. State the amount of improper payments the state recovered as a result of the previous review. \$436**

If the amount is less than the total amount expected to have been recovered according to the previous report, describe the reasons.

N/A

**22. Describe the information systems and other infrastructure that assist the state in identifying and reducing improper payments. If the Lead Agency does not have these tools, describe actions to be taken to acquire the necessary information systems and other infrastructure.**

Share/Match Data from other programs and databases:

To verify income, TWC and Boards access systems used by other government programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and unemployment insurance (UI).

TWC's Child Care Services rules (40 Texas Administrative Code, Chapter 809) prohibit child care providers that have been debarred from other state or federal programs from receiving subsidies to provide child care services. When a child care provider is debarred from the Child and Adult Care Food Program (CACFP), the Texas Department of Agriculture (TDA)-the lead agency for CACFP in Texas-notifies TWC.

Since 2013, TWC has been validating identity information such as names, date of birth, Social Security Number (SSN) of parents and children through a data-match process with state and federal databases.

TWC receives a weekly report from the Texas Health and Human Services Commission Child Care Regulation (CCR) that lists child care providers on corrective action, adverse action, or that have had their permit denied, revoked, or suspended. TWC sends this reports to Boards who use this information to take certain actions if CCR places a child care provider serving subsidized children on corrective or adverse action.

Run System Reports that flag errors:

TWC's IT division also identifies issues with cases and flags them for follow-up at the state level for further investigation. If an issue is identified, it is pushed down the Local Boards for review and resolution. Local Boards have policies and procedures that help to identify any cases that may need review.

Review of attendance or billing records:

The Child Care Claims and Allocations (CCCA) system allows for review and corrections of billing records to prevent improper payments.

The contract with the vendor that provided our Child Care Automated Attendance (CCAA) system ended in March 2020. This was at the height of the pandemic and access to a child care facility was limited. Due to this change, TWC updated the attendance policy at that time. Providers were responsible for notifying the local Board if any subsidy child had 5 or more consecutive absences. A new attendance system was launched May 17, 2023, as the first phase of Texas Child Care Connection (TX3C) and adoption of the new attendance system will continue until the full Child Care Case Management functionality is launched on October 1, 2023.

Conduct quality control or quality assurance reviews:

TWC's Fraud Deterrence and Compliance Monitoring (FDCM) Department performs virtual and occasional on-site monitoring reviews of fiscal and program activities, including customer eligibility, wage verification, provider billing, and disbursement testing.

Boards' quality assurance monitors use the Record Review Worksheet to conduct case reviews to improve data validation and reduce instances of improper authorization.

TWC works closely with the Quality Assurance Network (QAN), which consists of a network of all Boards' local quality assurance monitors. TWC and the QAN work together to develop strategies that help identify risk areas related to ineligibility and improper payments.

Conduct on-site provider visits to review attendance (this has been paused since March 2020 and will resume in October 2023):

On-Site monitoring is conducted when risks are identified through reporting, data-mining, and outside reporting by individuals.

Conduct data mining to identify trends:

Using data from The Workforce Information System of Texas (TWIST), which is TWC's automated data processing and case management system for the Texas workforce system (UI wage records, UI benefits payments, and TANF payments), TWC provides the following reports to identify potential improper payments. A full description of these reports is set forth in TA Bulletin 76 issued July 13, 2022, and entitled "Child Care Fraud Detection Report Tools-Update" [https://twc.texas.gov/files/policy\\_letters/tabc-276-ch1-twc.pdf](https://twc.texas.gov/files/policy_letters/tabc-276-ch1-twc.pdf)

*Child Care and Unemployment Insurance Early Warning Report*-identifies and assesses customers who are potentially ineligible for child care services because they filed UI claims advising TWC that they are not working. Potential child care eligibility issues are resolved by verifying the customers have reported their UI benefits' income for child care eligibility.

*Child Care Income Report*-compares all available income sources for the parent/custodian of a child care recipient to the 85 percent of SMI level to identify parents/custodians who may potentially be ineligible due to parental/custodial changes or underreporting of income.

*Duplicate SSN Report*- lists duplicated parent/custodian SSNs that have a payment in more than one workforce area in the same service month to identify customers who may be receiving child care services in multiple workforce areas.

TWC Division of Innovation, Information, & Insight (I/3) also leverages the Enterprise Data Warehouse to review and analyze child care data for trends that may identify any areas where improper payments could occur. If data is identified, this information is reviewed and provided to FDCM or another department for further research.

Train Staff on policy or audits:

TWC FDCM Department provides training and TA to help Boards and contractors identify and prevent improper payments and potential problems. TWC's Office of Investigations (OI) provides training to Boards on fraud prevention, detection, and investigation.

Child Care and Early Learning Division's TA department offers requested training through in-person or virtual visits, regular reviews of Board data, and a dedicated email address to identify and reduce any issues that could lead to improper payments.

Upgrades/Limitations

TWC's core IT systems have grown over the years and have become increasingly difficult to maintain and improve. The current system does not include an income calculation tool which means each Board uses a local system/method which leads to inconsistent methodology and processes.

TWC has contracted with a vendor and is in the process of releasing a new system that will enable TWC to manage the Child Care program actively and efficiently at both the State and Local Workforce Development Board level. This new system, Texas Child Care Connection, will streamline the child care services application and eligibility process across the entire state. The new system will allow more efficient collection of child care data, more consistency in processes at the local level (i.e., income calculation), allow implementation of policy and legislative changes more quickly, and provide robust tools to help inform decisions for the future of child care in the state of Texas. This new system is being launched in two phases. Phase one consisted of the attendance module and went live on May 17, 2023. The second phase will be the full eligibility and application system and will go live on October 1, 2023. Additionally, in January 2024, a new data mining system, Integrity Central, will go live which will assist TWC and the local Boards in identifying any cases that require additional review for possible issues that could lead to improper payments.

23. Provide the findings for the current cycle, data and targets for the prior and current cycles, and targets for the next cycle for percentage of cases with an error, percentage of cases with an improper payment, percentage of improper payments, average amount of improper payments, and estimated annual amount of improper payments.

Error Measures	Prior Cycle Data	Prior Cycle Target	Current Cycle Data	Current Cycle Target	Target for Next Cycle
1. Percentage of cases with an error.	28.62%	16.65%	14.49%	25.76%	14.70%

2. Percentage of cases with an improper payment	5.80%	8.46%	3.99%	5.22%	5.98%
3. Percentage of total amount of payments for the sample that are improper payments	0.60%	0.87%	0.44%	0.54%	0.65%
4. Average amount of improper payments	\$34	\$31	\$53	\$31	\$40
5. Estimated annual amount of improper payments	\$5,284,530	\$3,622,993	\$4,319,074	\$4,756,077	\$6,699,472

**24. If any targets were not met, provide an explanation of why the state did not meet these targets and describe how the actions outlined in Item 20 will address these areas.**

The only target not met was the average amount of the impropoer payments. TWC will continue to work with the Boards on refining their policies and quality as surance processes.

We continue to struggle with consistency in case processing across all 28 Board areas. Guidance is provided via rule and the CCS Guide which is updated, at a mimum, annually. The Technical Assistance Department works directly with Boards and is a regular resource for any questions that may occur during local monitoring or case work. The continued inconsistency is a major factor in moving to a statewide eligibility system that will allow all actions to be captured in one overall system that w ill allow for statewide monitoring actions on a much larger scale. The new system will allow regular reviews to be conducted without the aid of the Board area which will allow faster turnaround in capturing and resolving any eligibility issues the state encounters.

TWC continues to monitor management of the subsidy program through monthly report reviews. Additionally, TWC regularly issues new and refined guidance t o Boards on operation of the program.

Rule changes that will become effective in December 2023 will standardize many processes statewide that are now handled at the local level along with the new statewide launch of the new child care case management system, TX3C. These changes will continue to streamline the eligibility process which will result in more consistency in how eligibility is determined.

**25. List the causes of improper payment errors identified in the previous cycle (item 17 in the 2015 ACF-404 or item 20 in the 2018 ACF-404) and for each cause, describe the action steps that were taken (including dates) to correct the cause, whether the action steps reduced the identified errors, and how any progress was measured. Discuss any barriers to the effectiveness of the action steps to reduce improper payments.**

Improper Payment Error	Action steps and dates when taken	Did the action steps reduce the identified errors?	How did you measure your progress in reducing the identified errors?	Barriers to reducing error	Delete
Provider Rate Incorrect	Staff reviewed compliance during virtual site visits during FFY '21 and FFY '22 Updated Child Care Services Guide-November 2020 & April 2022	Yes, reduction in errors was found but still have some larger Boards who require targeted technical assistance.	Reports provided by TA and FD CM after site visits that measur ed the Board errors from past review periods. Reports identified areas of concern and these repor ts were utilized to provide targe ted guidance to the Board. Previous reports were reviewed by T A prior to a visit or meeting so t hese areas could be a point of di scussion and review.	Lack of adherence to local policies and procedures due to: - Poor quality control measures at loc al lev el - High staff turnover a mong eligibility staff - Inadequa te training of and communicatio n with eligibility staff	
Income Calculation Error/Payst ubs	Staff reviewed compliance during virtual site visits during FFY '21 and FFY '22 Updated Child Care Services Guide-November 2020 & April 2022	Yes, reduction in errors was found but still have some larger Bo ards who require targeted techni cal assistance.	Reports provided by TA and FD CM after site visits that measur ed the Board errors from past review periods. Reports identified areas of concern and these repor ts were utilized to provide targe ted guidance to the Board. Previous reports were reviewed by T A prior to a visit or meeting so t hese areas could be a point of di scussion and review.	Lack of adherence to local policies and procedures due to: - Poor quality control measures at loc al lev el - High staff turnover a mong eligibility staff - Inadequa te training of and communicatio n with eligibility staff	
Incorrect Discount Applied to Copayment	Staff reviewed compliance during virtual site visits during FFY '21 and FFY '22 Updated Child Care Services Guide-November 2020 & April 2022	Yes, reduction in errors was found but still have some larger Bo ards who require targeted techni cal assistance.	Reports provided by TA and FD CM after site visits that measur ed the Board errors from past review periods. Reports identified areas of concern and these repor ts were utilized to provide targe ted guidance to the Board. Previous reports were reviewed by T A prior to a visit or meeting so t hese areas could be a point of di scussion and review.	Lack of adherence to local policies and procedures due to: - Poor quality control measures at loc al lev el - High staff turnover a mong eligibility staff - Inadequa te training of and communicatio n with eligibility staff	
Incorrect Copayment Reduction	Staff reviewed compliance during virtual site visits during FFY '21 and FFY '22 Updated Child Care Services Guide-November 2020 & April 2022	Yes, reduction in errors was found but still have some larger Bo ards who require targeted techni cal assistance.	Reports provided by TA and FD CM after site visits that measur ed the Board errors from past review periods. Reports identified areas of concern and these repor ts were utilized to provide targe ted guidance to the Board. Previous reports were reviewed by T A prior to a visit or meeting so t hese areas could be a point of di scussion and review.	Lack of adherence to local policies and procedures due to: - Poor quality control measures at loc al lev el - High staff turnover a mong eligibility staff - Inadequa te training of and communicatio n with eligibility staff	
Income Calculation Error	Staff reviewed compliance during virtual site visits during FFY '21 and FFY '22 Updated Child Care Services Guide-November 2020 & April 2022	Yes, reduction in errors was found but still have some larger Bo ards who require targeted techni cal assistance.	Reports provided by TA and FD CM after site visits that measur ed the Board errors from past review periods. Reports identified areas of concern and these repor ts were utilized to provide targe ted guidance to the Board. Previous reports were reviewed by T A prior to a visit or meeting so t hese areas could be a point of di scussion and review.	Lack of adherence to local policies and procedures due to: - Poor quality control measures at loc al lev el - High staff turnover a mong eligibility staff - Inadequa te training of and communicatio n with eligibility staff	

**THE PAPERWORK REDUCTION ACT OF 1995 (Pub. L. 104-13)**  
**STATEMENT OF PUBLIC BURDEN: The purpose of this information collection is to gather data from sta**

tes once every three years about the errors occurring in the administration of CCDF grant funds. Public reporting burden for this collection of information is estimated to average 639 hours per response, including the time for reviewing instructions, gathering and maintaining the data needed, and reviewing the collection of information. This is a mandatory collection of information (Pub. L.113-186), and (42 U.S.C 9858). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information subject to the requirements of the Paperwork Reduction Act of 1995, unless it displays a currently valid OMB control number.

The OMB # is 0970-0323 and the expiration date is 01/31/2025. If you have any comments on this collection of information, please contact ACF Office of Child Care