

TEXAS WORKFORCE COMMISSION
Workforce Development Letter

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To: Local Workforce Development Boards Executive Directors
TWC Executive Director and Deputy Executive Director
Fraud Deterrence and Compliance Monitoring Directors
Child Care & Early Learning Directors
Office of General Counsel
Integrated Service Area Managers



From: Reagan Miller, Director, Child Care & Early Learning Division

Subject: Child Care Services Fraud

PURPOSE:

The purpose of this WD Letter is to provide Local Workforce Development Boards (Boards) with reminders, updated guidance, and a summary of their responsibilities concerning reporting and conducting fact-finding for suspected Child Care Services (CCS) fraud.

RESCISSIONS:

None

BACKGROUND:

Fraud Deterrence & Compliance Monitoring ([FDCM Letter 01-2024](#)), issued April 29, 2024, and titled “Board Instructions: Reporting Requirements for Suspected Fraud, Waste, Theft, Program Abuse Cases, and Recovery of Improper Payments for the Child Care Program,” contains detailed instructions for reporting fraud, waste, theft, and program abuse in CCS. FDCM 01-2024, Change 1, will be issued in March 2026.

FDCM 01-2026, issued March 12, 2026, and titled “Child Care Services Fraud Prosecutions” provides information on prosecuting CCS fraud.

[FDCM Letter 04-2024](#), issued October 7, 2024, and titled “Fraud Prevention, Detection, and Reporting Procedures—TWC Programs Other Than Child Care” provides additional procedures for reporting fraud in any Texas Workforce Commission (TWC) program.

This letter does not replace those FDCM letters but provides complementary and transparent direction regarding implementation of fraud fact-finding and reporting requirements.

PROCEDURES:

No Local Flexibility (NLF): This rating indicates that Boards must comply with the federal and state laws, rules, policies, and required procedures set forth in this WD Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by “must.”

Local Flexibility (LF): This rating indicates that Boards have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this WD Letter. All information with an LF rating is indicated by “may” or “recommend.”

Informing Staff: This letter instructs Boards to “inform relevant staff” of a process or procedure, meaning Boards must inform staff involved in the process of investigating suspected CCS fraud and whose job duties include the type of work being described.

UPDATES FOR PROCEDURES IN FDCM 01-2024

Employee-Related Suspected Fraud Incidents

NLF: Boards must report employee-related suspected fraud as soon as possible but no later than five business days after learning of the suspected fraud incident. Incidents are reported by submitting a completed FDCM–32 Form to FDCM Program Investigations at fcdmprograminvestigations@twc.texas.gov. FDCM forms can be found on the FDCM intranet page (on TWC’s internal SharePoint site). Go to TWC intranet, select FDCM from the **Our Agency** drop-down menu, then select FDCM Forms.

Boards do not conduct investigations of these employee-related suspected fraud incidents, and they are not entered into the Program Integrity Reporting and Tracking System (PIRTS).

Suspected Parent and Provider Fraud

NLF: Suspected parent or provider fraud **detected by the Board** must be reported as soon as possible but no later than five business days after learning of the suspected fraud incident by creating a case in PIRTS. Boards must then conduct the required fact-finding while following guidance for documenting all evidence in PIRTS and adhering to required deadlines. Boards are required to attempt the recovery of improper payments and must follow TWC guidance regarding future eligibility until improper payments are repaid.

The deadline for suspected fraud detected by the Board is different than the deadline for entering fraud cases, which are referred by FDCM to the Board on the High-Risk CCS Provider Report. For information on the High-Risk CCS Provider Report, refer to the below **Fraud Referrals to Boards** section.

BOARD POINT OF CONTACT RESPONSIBILITIES

Fraud, Waste, and Abuse Point of Contact

NLF: Each Board must designate a Fraud, Waste, and Abuse (FWA) Point of Contact (POC) and a backup POC. The backup POC is responsible for completing the POC responsibilities when the primary POC is not available. The POCs must be Board employees who have received PIRTS training and have PIRTS access.

The name and contact information for the Boards' primary POCs were collected prior to the distribution of this WD letter. **If not already provided, Boards must designate a backup POC and provide their name, email address, phone number, and Board name to fdcmprograminvestigations@twc.texas.gov as soon as possible but no later than April 10, 2026.**

FDCM created a FWA POC group distribution list in the Outlook Global Address List that will be used to provide information to both the primary and backup POCs.

Boards must report any changes to the designated POCs to fdcmprograminvestigations@twc.texas.gov. To change the POC, send the individual's name, email address, phone number, and Board name. Once notified of the changes, FDCM staff will take action to update the group distribution list and grant access to the Board FWA Report SharePoint site.

Board Fraud, Waste, and Abuse SharePoint Site

NLF: Boards must inform relevant staff that FDCM has created a limited-access SharePoint site named Board FWA Reports with a folder for each Board. The POCs are the only Board staff with access to their individual Board's folder (view only). Access links were sent to the primary POCs by email on January 16, 2026.

Board POCs must not share access to the SharePoint site with others. Although access is view only, staff may download the report, if desired.

PIRTS

NLF: Boards must identify up to five staff members to conduct fraud fact-finding (or more, if an exception is permitted by FDCM). Boards who have a need for more than five fact-finding PIRTS users should contact their FDCM OI Liaison to request an exception and for any questions related to their request.

Staff members who conduct fraud fact-finding must be employed by the Board or by the child care contractor. However, contractor staff who are responsible for determining enrollment and eligibility, or overseeing, approving, or managing enrollment and eligibility, must **not** conduct fact-finding. Additionally, Texas Rising Star Mentors must not be designated as fraud fact-finders. If the Board has staffing limitations that make them unable to fulfill this requirement, please contact and discuss with your FDCM OI Liaison. Only staff members who have completed the fraud and PIRTS training may conduct fact-finding.

Boards may request up to two read-only users for quality assurance in PIRTS, in addition to the five fact-finding users. Large Boards that need additional staff access should

contact their OI liaison. These additional read-only users must attend PIRTS training to receive access.

PIRTS Training

NLF: Boards must be aware that training will be provided throughout the year based on demands and needs of the Boards. Contact your OI Liaison at fdcmprograminvestigations@twc.texas.gov with questions.

Integrity Central

NLF: Boards must be aware that Integrity Central is an analytic tool that analyzes CCS program data to identify patterns and outliers that warrant investigation for potential fraud. Board training on Integrity Central was offered January 22, 23, and 27, 2026. Boards can submit a ServiceNow ticket to the Child Care & Early Learning (CC&EL) team to request access for additional users or to request assistance with using the tool.

LF: Boards should review Integrity Central at least monthly as it can help identify providers that do not appear on the High-Risk CCS Provider Report. Training and support materials from CC&EL were posted on the FDCM intranet, **Forms and Child Care Resources** page.

NLF: POCs Responsibilities

Boards must inform relevant staff that POCs are responsible for notifying FDCM of any changes in PIRTS users within 48 hours (for access removal). To add, remove, or change PIRTS user access, or to change or add POCs, send an email to fdcmprograminvestigations@twc.texas.gov.

NLF: Boards must inform relevant staff that POCs must manage the assignment and completion of **all child care fraud investigations** in a timely manner and make and approve all fraud determinations. The POCs are ultimately responsible for each Board's final determination.

The POC, who is responsible for making the determination, cannot be the same person who is responsible for a formal review or appeal. Duties would need to be reassigned as needed to ensure impartiality, which is an important aspect of due process.

Refer to the **Board Investigations** section below for additional information.

LF: Boards may grant POCs flexibility on how to manage these investigations. The POCs may, in consultation with Board management, determine how to assign or distribute cases of suspected fraud and determine which fact-finding staff members (PIRTS users) are responsible for conducting investigations and entering information into PIRTS.

FRAUD REFERRAL REPORTS TO BOARDS

High-Risk CCS Provider Report

NLF: Boards must inform relevant staff that FDCM and the Division of Information, Innovation and Insight (I|3) developed a High-Risk CCS Provider Report using advanced analytic technologies as well as collaborative data sharing to flag suspicious activities in

CCS. Each report, provided on a Microsoft Excel spreadsheet, includes the names of flagged providers and other relevant data that is needed for the Boards to investigate potential fraud.

The first High-Risk CCS Provider Reports were uploaded to the Board FWA Reports SharePoint site on January 16, 2026, and the second reports were uploaded on February 17, 2026. The POCs were notified by email that the reports were uploaded.

Each month, the High-Risk CCS Provider Reports will be uploaded to the High-Risk Provider folder, and an email will be automatically sent to the FWA POC distribution list that notifies the POCs of the upload. If there is no report in the Board's folder, it means there was no provider flagged. A provider will not be included in a High-Risk CCS Provider Report more than once in a 12-month period.

POCs must retrieve the report and create the case(s) in PIRTS no later than one business day after the date the report is uploaded to the Board folder. TWC will notify Board Executive Directors if cases are not created timely. Boards that are not able to create the case in PIRTS within this deadline must contact FDCM Program Investigations at fdcmprograminvestigations@twc.texas.gov to request an extension.

CCS Fraud Prosecution Referral Report

NLF: Boards must inform relevant staff that the FDCM and I|3 Divisions are developing a monthly CCS Fraud Prosecution Referral Report that identifies cases of provider or parent fraud that meet the criteria for referral to criminal prosecution. These reports will be uploaded to the Fraud Prosecution folder on the Board FWA Reports SharePoint site. If there is no report in the Board's folder, that means there was no case that met the criteria for prosecution.

Boards must be aware that referral for prosecution is mandatory for the cases identified in the Prosecution Referral Report, unless FDCM indicates otherwise.

An email notification will be sent notifying the POCs of the upload, with a copy to the Executive Director. Refer to FDCM Letter 01-2026—Child Care Fraud Prosecution for additional information on the prosecution referral report. Go to the FDCM intranet and select Policy Letters.

Early Warning Report and Child Care Quarterly Income Report

NLF: Boards must inform relevant staff that FDCM is working to move the Early Warning Report and the Child Care Quarterly Income Reports to the Board FWA Reports SharePoint site.

Currently, these reports are emailed to the Boards. Once programming is complete, the Early Warning (sent twice a month) and the Quarterly Income (sent quarterly) Reports will be uploaded to the Board's folder on the SharePoint site and saved in folders with the same names. The POCs will be notified by email when the reports are uploaded. The frequency of distribution remains the same and there is no change to how these reports are to be handled.

Risk Assessment Report

NLF: Boards must inform relevant staff that the FDCM and CC&EL Divisions created a CCS Provider Risk Analysis Tool that provides a prioritized list of providers based on the risk assessment methodology defined in the Risk Assessment Guidelines document. This spreadsheet will be saved to the Board FWA Reports SharePoint site in a folder with the same name and the list will be updated quarterly.

Other Potential Fraud Referrals

NLF: Boards must inform relevant staff that additional potential fraud issues may arise from other sources. Boards must inform POCs that FDCM staff may contact them directly with information on additional potential fraud cases that need to be investigated, as they arise.

BOARD INVESTIGATIONS

NLF: Boards must complete fact-finding on all cases of suspected fraud, regardless of how they became aware of the issue, including suspected fraud cases uploaded to the Board FWA Reports on SharePoint. Information on the fact-finding process and other useful resources can be found on the **FDCM Forms & Child Care Resources** page, located in the FDCM section of the intranet (select **Child Care Resources** from the left rail.).

- **Fact-finding for these suspected provider fraud incidents must be completed within 30 calendar days of the date the case was created in PIRTS.** Boards that are not able to complete a case within this deadline must contact FDCM Program Investigations at fdcmprograminvestigations@twc.texas.gov to discuss the case and determine whether an extension is needed.
Note: Fact-finding for **all other cases** of suspected fraud must be concluded within 90 calendar days of case entry into PIRTS.
- Boards may have the child care contractor assist with fact-finding or other tasks involved with the investigation. **However, the POCs remain responsible for managing the investigation of suspected fraud cases. Any contractor staff conducting fact-finding must complete fraud and PIRTS training with FDCM before assisting with fact-finding or entering information into PIRTS.**
 - Although a child care contractor may assist with fact-finding, any child care contractor employee responsible for determining enrollment and/or eligibility is prohibited from participating in fact-finding to avoid any appearance of a conflict of interest.
Note: If the suspected activity involves actions or inactions of the child care contractor, that contractor may not participate in the investigation into themselves.
 - Boards must have internal controls that prevent conflicts of interest in investigations.
- As part of the fact-finding of suspected provider fraud identified in the High-Risk CCS Provider Report, subject to the limitations above, the Board or its contractor must conduct an in-person site visit of the provider. For providers that are open more

than 20 hours per day, and who have CCS children in care during non-traditional hours, fact-finding must include at least one in-person visit to the provider outside of regular business hours at a time when a referral should be in attendance.

- FDCM will provide procedures for conducting required on-site visits to child care providers identified on the High-Risk CCS Provider Report in FDCM-71 – High Risk On-Site Provider Visits.
- Form FDCM-71 is found on the FDCM intranet (SharePoint) on the **FDCM Forms and Child Care Resources** page.
- The POCs are ultimately responsible for the final determination of whether fraud was substantiated. The POCs must review all fact-finding before making the final determination. The child care contractor may not make the final determination. If FDCM has inquiries or concerns about the case, the POCs will be responsible for providing information and addressing any issues.

Documentation in PIRTS

NLF: Boards must ensure that cases are entered into PIRTS within one business day of being notified of a provider’s inclusion in the High-Risk CCS Provider Report, or within one business day of the Board identifying parent or provider suspected fraud. Boards must also document in PIRTS all fact-finding steps, determination letters, improper payment recoupments, and referrals for criminal prosecution. Staff must complete fraud and PIRTS training before being allowed to enter information into PIRTS. Boards must contact their FDCM OI liaison to request PIRTS training.

On-Site Visits—Monitoring and Risk Assessment

NLF: Boards must have, or require their child care contractor to have, a Monitoring Plan that includes on-site visits to providers other than those on the High-Risk CCS Provider Report. Boards must make an annual plan for how many on-site visits they will seek to complete each month and provide a monthly report showing which providers will be visited.

To support Boards in meeting this requirement, TWC will provide the following:

- **Fraud Risk Assessment Guidelines and Procedures for On-site Monitoring Visits of Child Care Services Providers**—This document outlines the risk assessment methodology, provides guidance on the percentage of providers to visit annually, and details the required steps for conducting and documenting visits.
- **CCS Provider Risk Analysis Tool for Boards**—This quarterly risk assessment spreadsheet scores and prioritizes CCS providers for monitoring based on this methodology.
- **Child Care Annual Monitoring Plan**—This form provides a standard format for their annual monitoring plan. Boards must complete the Child Care Annual Monitoring Plan form and email the form to Child Care Program Assistance at childcare.programassistance@twc.texas.gov no later than 30 calendar days

following the date the CC Provider Risk Analysis Tool was provided to the Board.

LF: Boards must use the CCS Provider Risk Analysis Tool to prioritize providers for on-site monitoring visits but may determine the exact order of monitoring visits based on local factors and the available resources. Additionally, Boards have the flexibility to determine which staff are assigned to conduct these monitoring visits. Staff conducting monitoring visits are not required to have completed fraud or PIRTS training.

Monitoring visits can be distinguished from the on-site fraud fact-finding visits required for providers identified on the High-Risk CCS Provider Report. The risk assessment spreadsheet identifies providers who may warrant proactive monitoring based on risk factors, whereas the High-Risk Report identifies specific providers that must be investigated for suspected fraud.

NLF: Boards must inform relevant staff members that tools and guidance for developing a risk assessment and conducting site reviews are available on the **Forms & Child Care Resources** page located on the FDCM intranet. (Select **Child Care Resources** from left rail.)

NLF: Boards must inform relevant staff that if a Board or child care contractor staff member is concerned about their own safety during a visit, they should end the site visit, leave, and then report the issue to FDCM at fdcmprograminvestigations@twc.texas.gov.

Providers Serving Multiple Board Areas

NLF: Boards must inform relevant staff that FDCM will provide a monthly report, posted on the Board FWA Reports SharePoint site, that lists providers with active referrals in multiple areas within the report period.

NLF: Boards must inform relevant staff that if an investigation concerns a provider serving children from more than one local workforce development area (workforce area), the Board whose workforce area includes the provider's location must conduct the investigation and inform the POC of any other Board whose workforce area contains children served by that provider that there is an investigation. A list of each Board's POC is posted to the Board FWA Reports SharePoint site.

NLF: Boards must inform relevant staff that if an investigation concerns a parent, the investigation must be conducted by the Board that funded the services (where the parent resided when services were provided).

INQUIRIES:

Send inquiries regarding this WD Letter to childcare.programassistance@twc.texas.gov.

ATTACHMENTS:

None

REFERENCES:

[FDCM Letter 01-2024: Board Instructions: Reporting Requirements for Suspected Fraud, Waste, Theft, Program Abuse Cases, and Recovery of Improper Payments for the Child Care Program](#)

[FDCM Letter 04-2024: Fraud Prevention, Detection, and Reporting Procedures – TWC Programs Other Than Child Care](#)
[FDCM Letter 01-2026: Child Care Services Fraud Prosecution](#)