



An Audit Report on

**Child Care Services for Children in
Protective Services at the Texas
Workforce Commission and the
Department of Family and Protective
Services**

October 2019

Report No. 20-005



An Audit Report on

Child Care Services for Children in Protective Services at the Texas Workforce Commission and the Department of Family and Protective Services

SAO Report No. 20-005
October 2019

Overall Conclusion

The Texas Workforce Commission (TWC) administered child care services for more than 52,000 children in protective services between September 1, 2017, and January 31, 2019. However, TWC did not ensure that child care attendance was accurately reported and tracked for those children. The accuracy of recorded attendance and absences for children in protective services is important because it is used by the Department of Family and Protective Services (DFPS) to monitor and follow-up on the safety of the children receiving care.

TWC operates its child care programs by contracting with its 28 local Workforce Development Boards (Workforce Boards), which in turn enter into agreements with child care contractors (see Figure 1 on the next page).

Child care was billed at allowable rates by Workforce Boards. Auditors visited two Workforce Boards and verified that day care services for all 120 children tested had the required authorizations and were billed at allowable rates. In addition, authorized services were provided by eligible child care providers. However, TWC and the Workforce Boards should improve certain controls to ensure that child care authorizations are processed accurately and within the required time frames.

DFPS reimbursed TWC for eligible child care expenses in accordance with its contract. However, it should improve the timeliness of its monthly billing rejection reports it is required to provide to TWC.

Background

The Department of Family and Protective Services (DFPS) contracts with the Texas Workforce Commission (TWC) for child care for children in protective services whose relatives or foster parents work full-time and for children residing with the custodial parent but are under DFPS supervision.

DFPS authorizes the child care services for eligible children, and TWC pays the child care providers through its 28 local Workforce Development Boards (Workforce Boards). TWC also reports expenditures and other information, including the children's attendance at the child care provider, to DFPS. TWC bills DFPS for reimbursement of the cost of the child care services plus an administrative cost.

From September 1, 2017, through January 31, 2019, TWC reported that it expended approximately \$113.6 million for child care services for children in protective services. According to TWC, the number of children receiving child care services across all its programs has continued to increase over the past several years. See Appendix 4 for more details about the number of children, child care providers, and child care expenditures by Workforce Boards in Texas.

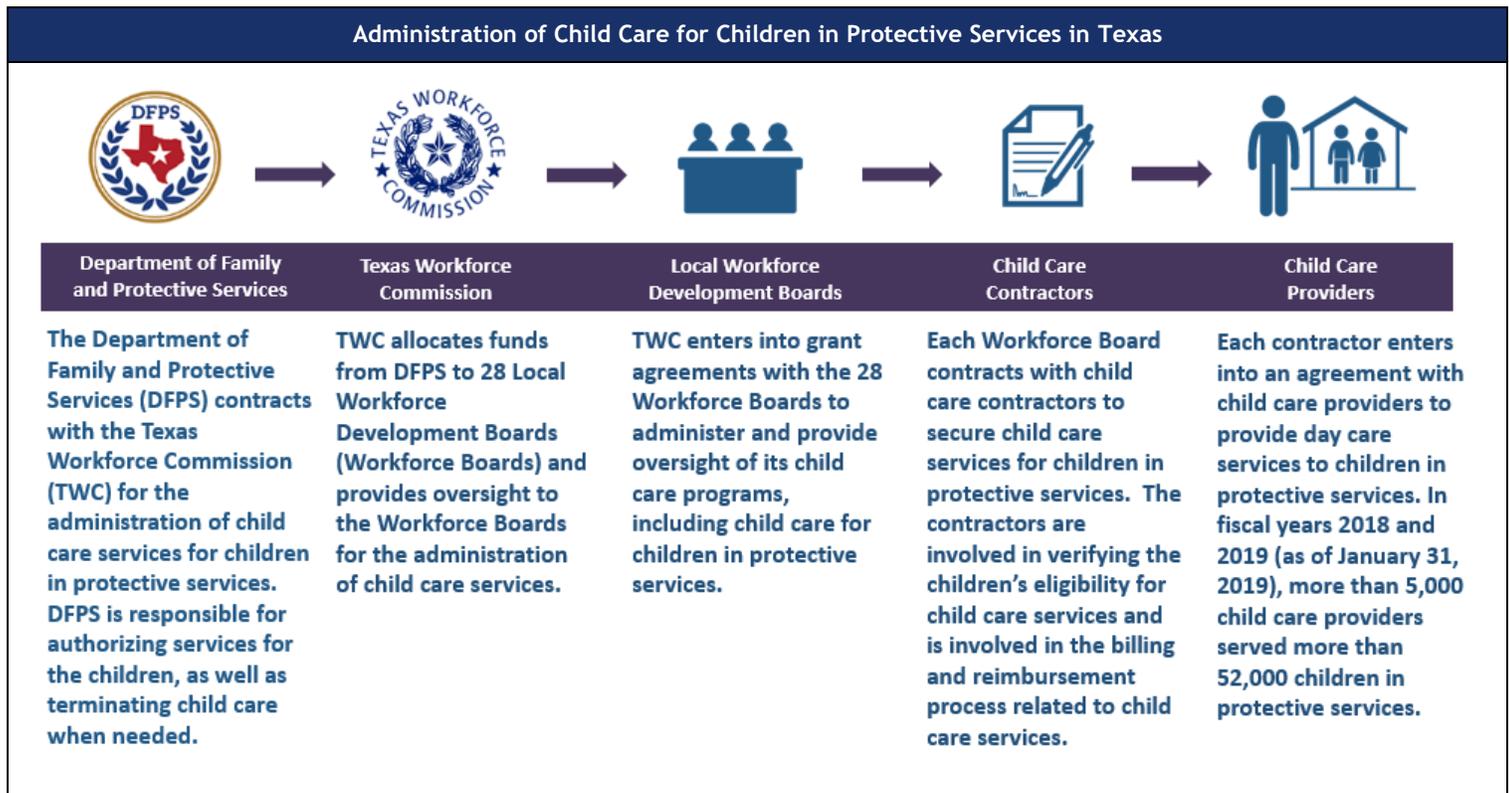
Sources: TWC and DFPS.

Information Technology. TWC had information technology controls in place to protect its child care data and ensure that confidential communications are sent securely. However, it should strengthen its process to monitor user access at the Workforce Boards and their contractors.

Auditors communicated other, less significant issues separately in writing to TWC management.

Figure 1 shows the entities involved in the administration of child care for children in protective services in Texas.

Figure 1



Source: Based on information provided by DFPS and TWC.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	TWC Does Not Ensure That Child Care Attendance for Children in Protective Services Is Reported and Tracked as Required	Priority
1-B	Child Care for Children in Protective Services Was Appropriately Authorized and Billed at Allowable Rates and All Providers Were Eligible at the Two Workforce Boards Audited	Low
1-C	Children at Both Workforce Boards Tested Were Placed into Care Timely; However, TWC Should Ensure That Workforce Boards Enter Authorizations Timely and Accurately	Medium
2	DFPS Reimbursed TWC for Eligible Child Care Expenses in Accordance With Its Contract; However, It Could Improve the Timeliness of Its Monthly Reconciliations and Reimbursements	Medium
3	TWC Had Certain Information Technology Controls in Place; However, It Could Strengthen Its Process for Monitoring Access to Systems at the Workforce Boards	Medium

^a A chapter/subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated **Low** if the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

Key Points

TWC did not report attendance to DFPS as required by its child care contract.

TWC is not reporting absences to DFPS when a child misses (1) the three initial days of authorized care or (2) three consecutive days during the child’s authorized period as required in the child care contract. TWC’s attendance system is programmed to automatically notify DFPS when a child has missed five consecutive days, instead of the contractually required three days.

TWC and the Workforce Boards do not adequately monitor requirements that the attendance system be used to track attendance for children in protective services.

TWC uses a swipe card system to track attendance at child care providers; however, TWC and the Workforce Boards do not ensure that swipe cards are

consistently used as required. From September 1, 2017, through January 31, 2019, there were 1.4 million instances for which the swipe card was not used to record attendance. If there is not a swipe, the attendance system reports it to DFPS as an absence, whether the child was present or not. The accuracy of recorded attendance and absences for children in protective services is important because DFPS uses that information to monitor and follow-up on the safety of the child.

Child care for children in protective services was appropriately authorized and billed at allowable rates and all providers were eligible at the two Workforce Boards audited.

At the two Workforce Boards that auditors visited, day care services for the 120 children tested had the required authorizations and were billed at allowable rates. In addition, all child care providers for the time period reviewed did not have any adverse actions that would preclude them from providing care to children in protective services.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. TWC and DFPS agreed with the recommendations in the report. The detailed management responses for both agencies are presented immediately following the recommendations in the Detailed Results section of this report.

Audit Objectives and Scope

The objectives of this audit were to:

- Determine whether TWC is administering the provision of day care services for children in protective services according to applicable requirements, including whether:
 - ◆ Authorized services are provided by eligible providers;
 - ◆ Services are provided at allowable reimbursement rates; and
 - ◆ Client data is protected.
- Determine whether DFPS is reimbursing TWC for eligible expenses.

The scope of this audit covered children in protective services who were authorized to receive child care services from September 1, 2017, through January 31, 2019.

Contents

Detailed Results

Chapter 1	
TWC Should Improve Attendance Reporting for Children in Protective Services and Strengthen Certain Other Controls Related to Oversight of Workforce Boards That Administer Its Child Care Programs.....	1
Chapter 2	
DFPS Reimbursed TWC for Eligible Child Care Expenses in Accordance With Its Contract; However, It Could Improve the Timeliness of Its Monthly Reconciliations and Reimbursements.....	10
Chapter 3	
TWC Had Certain Information Technology Controls in Place; However, It Could Strengthen Its Process for Monitoring Access to Systems at the Workforce Boards	12

Appendices

Appendix 1	
Objectives, Scope, and Methodology.....	15
Appendix 2	
Issue Rating Classifications and Descriptions.....	20
Appendix 3	
Texas Workforce Development Board Areas.....	21
Appendix 4	
Number of Child Care Providers, Children, and Expenditures	22

Detailed Results

Chapter 1

TWC Should Improve Attendance Reporting for Children in Protective Services and Strengthen Certain Other Controls Related to Oversight of Workforce Boards That Administer Its Child Care Programs

The Texas Workforce Commission (TWC) did not ensure that child care attendance was accurately reported and tracked for children in protective services. The accuracy of recorded attendance and absences for children in protective service is important because it is used by the Department of Family and Protective Services (DFPS) to monitor and follow-up on the safety of the child receiving care.

At the two Workforce Development Boards (Workforce Boards) that auditors visited, all children tested had the required authorizations and all services were billed at allowable rates. In addition, those children were placed in care in a timely manner; however, TWC did not ensure that those Workforce Boards accurately processed all child care authorizations within the required time frame.

Chapter 1-A

TWC Does Not Ensure That Child Care Attendance for Children in Protective Services Is Reported and Tracked as Required

**Chapter 1-A
Rating:
Priority ¹**

TWC did not report attendance to DFPS as required by its child care contract and it did not ensure that its Workforce Boards were adequately monitoring to verify that attendance was being recorded as required. The accuracy of recorded attendance and absences for children in protective services is important because DFPS uses that information to monitor and follow-up on the safety of the child receiving care.

TWC did not report attendance to DFPS as required by its child care contract.

TWC is not reporting absences to DFPS when a child misses (1) the three initial days of authorized care or (2) three consecutive days during the child's authorized period as required in the child care contract. TWC's attendance system is programmed to automatically notify DFPS when a child has missed five consecutive days. Neither TWC nor DFPS staff were able to explain why the attendance system was initially set up to report absences after five days instead of the contractually required three days. In addition, TWC and the

¹ The risk related to the issues discussed in Chapter 1-A is rated as Priority because they present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

two Workforce Boards visited did not have alternative processes in place to report the attendance information as required by the contract.

TWC and the Workforce Boards do not adequately monitor requirements that the attendance system be used to track attendance for children in protective services.

Child Care Absences Reported to DFPS

The following information is reported as absences to DFPS for children in protective care:

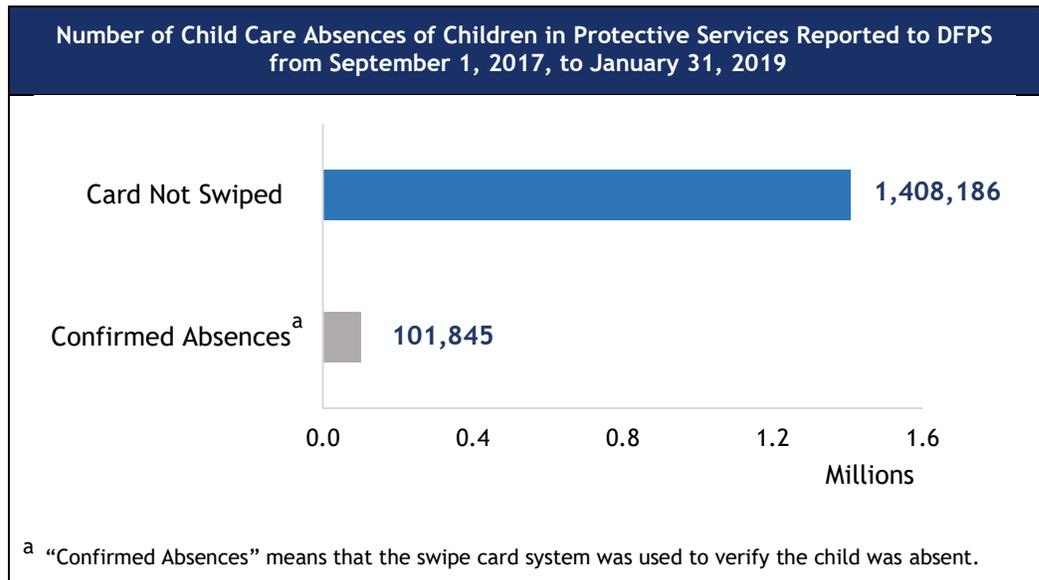
- **Confirmed Absence** - These are days in which a child is absent due to illness, court ordered custody days, and other reasons. The caregiver is required to swipe their card in the attendance system to record the absence for the day(s) missed when the child is returned to care.
- **Card not swiped** - These are days for which child care is authorized but no attendance or reason for an absence was recorded in the attendance system.

Source: TWC's *Child Care Services Guide*.

TWC uses a swipe card system to track attendance at child care providers and all attendance is required to be reported in this system. However, TWC and the Workforce Boards do not ensure that swipe cards are consistently used as required. From September 1, 2017, through January 31, 2019, there were 1.4 million instances for which the swipe card was not used to record attendance. If there is not a swipe, the attendance system reports it to DFPS as an absence, whether the child was present or not.

Specifically, of all absences reported to DFPS from September 1, 2017, through January 31, 2019, for children in protective services, 93.3 percent were due to attendance not being swiped in the attendance system; only 6.7 percent were swiped and reported as a confirmed absence as required (see text box for more detail). As a result, there is a risk that absences were significantly over reported, which may put a strain on DFPS caseworkers who are required to follow up on the absences (see Figure 2).

Figure 2



Source: Attendance data in The Workforce Information System of Texas (TWIST).

While TWC's *Child Care Services Guide* provides for limited reasons a swipe may not occur even if the child did attend child care, such as when caregivers have lost or not yet received a card, it is important that attendance is recorded with a card swipe when a child is present, or the reason for an absence is recorded in the attendance system. This helps to ensure that accurate information is reported to the DFPS caseworkers responsible for ensuring the safety of the children.

Recommendations

TWC should:

- Work with DFPS to ensure absences are reported within the time frames established in its child care contract.
- Ensure that its Workforce Boards monitor requirements that the attendance system (swipe cards) be used to record attendance for child care and report the reasons for absences for children in protective services.

Management's Response

- ***Work with DFPS to ensure absences are reported with the timeframes established in the child care contract.***

TWC agrees with this recommendation.

The FY20 contract has been updated to reflect the prior and current procedures that the Department of Family and Protective Services (DFPS) uses for their protective care monitoring purposes.

In 2012-13 DFPS worked directly with TWC's Child Care Automated Attendance (CCAA) vendor to develop an absence report for DFPS children in care. DFPS provided their report specifications, and the CCAA vendor developed specialized versions of absence reports at that time based on DFPS specifications. TWC and DFPS corrected the FY20 contract to reflect the 5-day report designed and developed by DFPS.

*Director, Child Care & Early Learning Division
Director, Workforce Grants & Contracts Department*

Due Date - completed

- **Ensure that its Workforce Boards monitor requirements that the attendance system (swipe cards) be used to record attendance for child care and report the reasons for absences for children in protective services.**

TWC agrees with this recommendation. TWC assists DFPS in monitoring attendance and will enhance the information we provide to DFPS.

In accordance with the existing contract, and with the prior contract, DFPS is responsible for requiring the children’s caretakers to participate in TWC’s CCAA system (Section 4.3.1, FY19 contract, and continued in FY20 contract).

In accordance with TWC guidelines, Boards also provide information to DFPS parents regarding their responsibilities to use the CCAA system. DFPS must also notify parents of their responsibilities and the consequences for not using the CCAA system. TWC will work with DFPS to ensure that the guidance provided to DFPS parents aligns with DFPS policies and procedures regarding use and consequences of the CCAA system.

DFPS designed the CCAA 5-day absence report in order to monitor absences of children in protective care. This report is not provided to TWC; it is available only to DFPS, as protective monitoring is a DFPS responsibility.

TWC will continue to work with DFPS to ensure they receive necessary information to perform their duties, and to identify additional information to assist DFPS with their monitoring responsibilities.

- *There is an additional report available in CCAA, the “No Report 3 Day.” This report identifies parents who have not used the CCAA system for 3 consecutive days. TWC will work with DFPS to ensure they are aware of this report, as this report will identify DFPS caregivers who have not used the CCAA system for 3 consecutive days.*
- *TWC will develop a new TWIST canned report to allow Boards to identify absences by the type of care (e.g. DFPS Protective Services care).*
- *TWC will require Boards to notify DFPS when General Protective caregivers have accrued 15 and 30 cumulative days of absences (inclusive of both absences and non-swipes).*

Director, Child Care & Early Learning Division

Due Date – 1st quarter of 2020

Child Care for Children in Protective Services Was Appropriately Authorized and Billed at Allowable Rates and All Providers Were Eligible at the Two Workforce Boards Audited

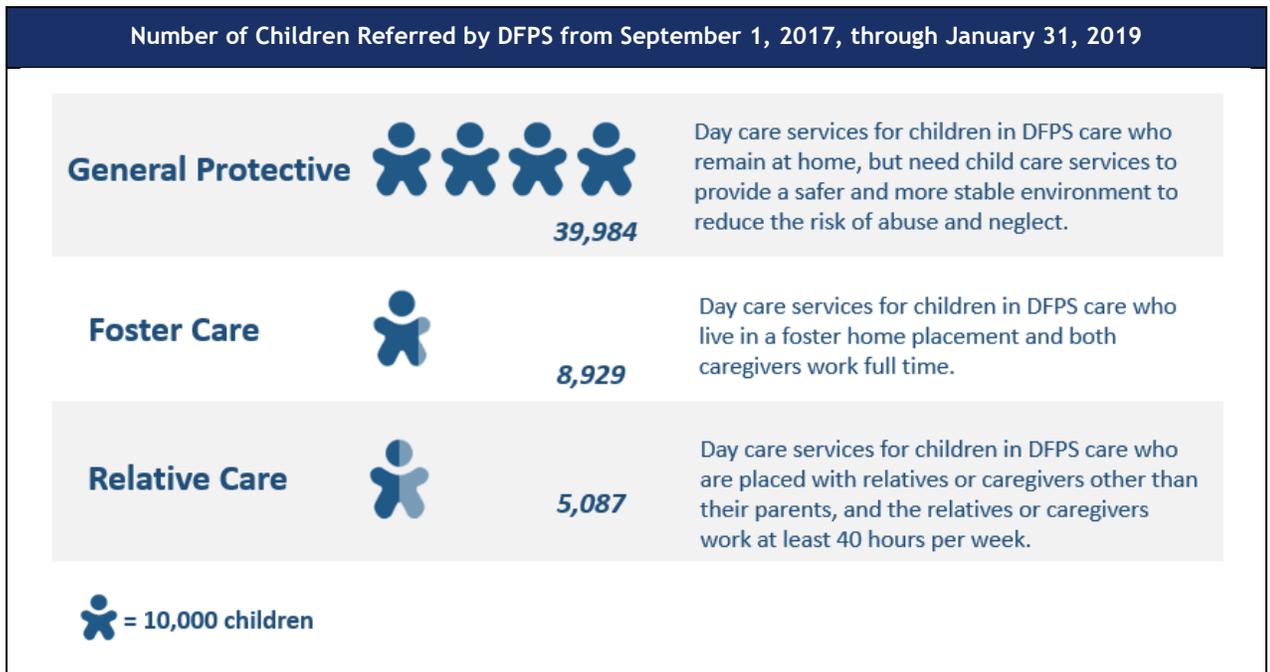
**Chapter 1-B
Rating:
Low²**

At the two Workforce Boards that auditors visited, day care services for the 120 children tested had the required authorizations and were billed at allowable rates. In addition, all child care providers for the time period reviewed did not have any adverse actions that would preclude them from providing care to children in protective services.

Child Care Eligibility. DFPS determines eligibility for child care for children in protective services and refers those children through documented service authorizations to Workforce Boards to initiate care for those children. There are three referral types for children in protective services: general protective, foster care, and relative care. The majority of the child care referrals are general protective referrals, which means that the child receiving day care services resides with the custodial parent but is under DFPS supervision.

Figure 3 shows the number of children that DFPS referred for child care services from September 1, 2017, through January 31, 2019.

Figure 3



Source: Based on information provided by DFPS.

² The risk related to the issues discussed in Chapter 1-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

TWC is required to ensure that Workforce Boards verify that service authorizations have been received from DFPS and that payments to child care providers were made in accordance with the maximum allowable rates. Auditors tested documentation for 120 children at two of the Workforce Boards visited and determined that there was sufficient documentation to support that those children had the required authorizations and were billed at allowable rates.

Provider Eligibility. TWC is responsible for ensuring that Workforce Boards have established processes for child care services, including policies for verifying that child care providers are licensed or registered and do not have any corrective or adverse actions that would preclude them from providing care to children in protective services. Both Workforce Boards had those processes in place. In addition, data analysis showed that all 5,609 providers in Texas who supplied care to children in protective services between September 1, 2017, and January 31, 2019, were eligible and did not have any adverse actions.

Chapter 1-C

Children at Both Workforce Boards Tested Were Placed into Care Timely; However, TWC Should Ensure That Workforce Boards Enter Authorizations Timely and Accurately

**Chapter 1-C
Rating:
Medium³**

Timeliness of entering service authorizations. To help ensure that there is no delay in placing a child in protective services into child care, Workforce Boards' child care contractors are required to enter service authorizations into The Workforce Information System of Texas (TWIST) within three days of when they received those authorizations from DFPS. However, the two Workforce Boards audited did not ensure that their child care contractors consistently entered that information within the required time frame. Specifically:

- At the Gulf Coast Workforce Development Board,⁴ 14 (23.3 percent) of 60 service authorizations tested were not entered within three days as required. Those 14 service authorizations were entered an average of 6 days late. The Workforce Board stated it misinterpreted the requirement and was not entering the service authorizations until three days prior to the child's authorized start date. In addition, its monitoring did not

³ The risk related to the issues discussed in Chapter 1-C is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

⁴ Also known as The Gulf Coast Workforce Board – Workforce Solutions.

include a process to review compliance with service authorization entry requirements.

- At the Tarrant County Workforce Development Board,⁵ 11 (18.3 percent) of 60 service authorizations tested were not entered within three days as required. Those 11 service authorizations were entered an average of 11 days late. The Workforce Board attributed the delay in entering the information to periodic staffing issues during peak enrollment periods.

All of the late service authorizations tested were entered before the children's placement date for child care, which ensured that those children were placed into care in a timely manner. However, not entering the service authorizations within the required time frames increases the risk of delay to the start of child care for children in protective services. In addition, timely entry would help ensure that caregivers receive the swipe cards needed to record attendance sooner.

Accuracy of entering service authorizations. The two Workforce Boards tested did not consistently ensure that their child care contractors entered accurate child care information into TWIST from the service authorizations.

Specifically:

- At the Gulf Coast Workforce Development Board, 4 (6.7 percent) of 60 children's records tested contained inaccurate information.
- At the Tarrant County Workforce Development Board, 10 (16.7 percent) of 60 children's records tested contained inaccurate information.

Examples of errors entered in TWIST at both Workforce Boards included inaccurate dates of birth, Social Security numbers, and spelling of the name of the child and/or caregiver. This key information entered from the child care service authorizations are used by DFPS during billing to reconcile and process payments. Accurately entering this information is important to minimize the number of payment rejections that TWC and Workforce Boards must address during the contract year (see Chapter 2 for more information about payment rejections).

⁵ Also known as Workforce Solutions for Tarrant County.

Recommendation

TWC should ensure that child care contractors at Workforce Boards:

- Accurately enter child care service authorizations within the required time frame.
- Are aware of the required time frames.
- Include a requirement for their monitoring reviews to verify that service authorizations were entered within three days of receipt as required.

Management's Response

- ***TWC should ensure that child care contractors and Workforce Boards***
 - ♦ ***Accurately enter child care authorizations within the required timeframe.***

TWC agrees with this recommendation.

TWC's Subrecipient Monitoring Department will review a sample of cases, during annual onsite reviews, in order to ensure that Boards are accurately entering DFPS authorizations within the 3-day time frame. TWC's Subrecipient Monitoring Department will begin to sample DFPS cases in Spring 2020 after the completion of the federally mandated Child Care Improper Payments Report (ACF-404) which is currently underway.

Director, Subrecipient Monitoring Division

Due Date: Spring 2020

- ♦ ***Are aware of the required timeframes***

TWC agrees with this recommendation.

- *TWC's Child Care Division will provide additional guidance to the Boards to ensure that they are aware of the required timeframes. While this information is already contained with TWC's Child Care Guidelines, the Child Care Division will reinforce this requirement through discussions with the Board's Child Care Network, and during onsite Technical Assistance visits.*

Director, Child Care & Early Learning Division

Due Date: 4th quarter 2019, and throughout Fiscal Year 2020.

- ♦ ***Include a requirement for their monitoring reviews to verify that service authorizations were entered within three days of receipt as requested***

TWC agrees with this recommendation.

TWC's Subrecipient Monitoring Department will ensure that Board's implement requirements for their subcontractors to review and verify that authorizations were entered within three days of receipt. TWC's Subrecipient Monitoring Department will begin to sample DFPS cases in Spring 2020 after the completion of the federally mandated Child Care Improper Payments Report (ACF-404) which is currently underway.

Director, Subrecipient Monitoring Division

Due Date: Spring 2020

DFPS Reimbursed TWC for Eligible Child Care Expenses in Accordance With Its Contract; However, It Could Improve the Timeliness of Its Monthly Reconciliations and Reimbursements

**Chapter 2
Rating:
Medium⁶**

DFPS reimbursed TWC for eligible child care expenses in accordance with its contract; however, it should improve the timeliness of its monthly billing rejection reports and reimbursements it is required to provide to TWC.

DFPS should improve the timeliness of its monthly billing rejection reports to TWC.

Upon receipt of TWC's monthly invoices, DFPS reconciles data in its case management system (IMPACT) with information recorded in TWC's TWIST system for key child, caregiver, and payment information (see text box for more information about information reconciled between TWIST and IMPACT).

If the required number of key fields in TWIST does not reconcile to the information in IMPACT for the child and caregiver, then IMPACT will automatically reject payment for those services included in the monthly invoices. The rejected payments are then reviewed by DFPS staff, who list the payments that TWC must resolve in a rejection report that is provided to TWC.

DFPS did not provide TWC with billing rejection reports on a monthly basis as required by its child care contract for 6 (35.3 percent) of the 17 months tested. However, subsequent reports did include the rejected payments for the months missed. Not providing TWC the billing rejection reports on a timely basis may create workload issues for TWC and Workforce Board staff and may attribute to a longer contract closeout process. As of July 2, 2019, the child care contract between DFPS and TWC had not been closed for fiscal year 2018, in part because of a delay in resolving rejections.

Key Fields Reconciled Between TWIST and IMPACT for Payment Processing

Child Information Reconciled

At least 3 of 5 identifying information data fields for a child in protective services must reconcile:

- First name.
- Last name.
- Social Security number.
- Date of birth.
- DFPS ID.

Caregiver Information Reconciled

At least 2 of 4 identifying information data fields for the child's caregiver must reconcile:

- First name.
- Last name.
- Date of birth.
- Social Security number.

Payment Information Reconciled

- Payments made to child care providers outside of the authorized dates or for children not included on the Service Authorization.

Source: DFPS and TWC child care contracts for 2018 and 2019.

⁶ The risk related to the issues discussed in Chapter 2 is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

DFPS did not consistently reimburse TWC within the required time frame.

DFPS did not consistently reimburse TWC for child care services within 30 days of receipt of the invoice as required by DFPS's contract with TWC. Specifically, DFPS did not make 12 (66.7 percent) of 18 payments tested within 30 days as required. All 12 of those late payments occurred during the 2018 contract period and were made an average of 28 days late. DFPS management asserted the late payments occurred due to staff turnover. All payments tested that were processed for the 2019 contract period, as of January 31, 2019, were made within 30 days as required.

Recommendation

DFPS should ensure that monthly billing rejection reports and reimbursements are sent to TWC within the time frames required.

Management's Response

Timeliness of Monthly Billing Rejection Reports

DFPS agrees that rejection reports need to be sent to TWC within the required contracted timeframes. CPS has shored up timeframes for completion of reconciliation each month. Additionally, CPS will train an additional staff member by 12/1/19 to serve as a back-up to ensure this process is completed timely.

Responsible Person, Title: CPS Director of Field Operations

Implementation Date: December 2019

Timeliness of Reimbursements

DFPS acknowledges invoices were not paid timely during the 2018 contract period. With the hiring of new staff responsible for this function and more detailed tracking of associated activities and timelines, all payments since November 2018 have been processed within the required 30 days.

Responsible Person, Title: Director of Purchasing, Forecasting, Federal Funds

Implementation Date: November 2018

TWC Had Certain Information Technology Controls in Place; However, It Could Strengthen Its Process for Monitoring Access to Systems at the Workforce Boards

**Chapter 3
Rating:
Medium ⁷**

TWC had certain information technology controls in place to protect the information in TWIST. In addition, TWC had controls in place to help ensure that confidential communications are sent securely. Specifically, TWC had:

- Documented information technology security policies readily available to employees that provide for the overall direction and implementation of information technology security.
- Appropriate application controls in place over key fields in TWIST.

In addition, there were controls in place to ensure that electronic communications among DFPS, TWC, and the Workforce Boards containing confidential information were sent securely.

However, TWC did not verify that Workforce Boards and their contractors were conducting user access reviews as required. Auditors identified instances in which user access to TWIST, as well as systems used locally at the two Workforce Boards that contained confidential child care information, was not appropriately restricted. Not ensuring that user access is regularly reviewed and appropriate increases the risk of exposure of personally identifiable information for children in protective services and their caregivers. TWC and the Workforce Boards' management asserted that those individuals' access was subsequently updated after auditors brought the issue to their attention.

To minimize security risks, auditors communicated additional details of the issues identified separately to TWC and the Workforce Boards' management.

⁷ The risk related to the issues discussed in Chapter 3 is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Recommendation

TWC should periodically review and verify that:

- User access to TWIST and systems used by Workforce Boards to house confidential child care information is appropriate.
- Workforce Boards and their contractors perform and document periodic user access reviews.

Management's Response

- ***TWC should periodically review and verify that:***
 - ◆ ***User access to TWIST and systems used by Workforce Boards to house confidential child care information is appropriate.***

TWC agrees with this recommendation.

TWC's Subrecipient Monitoring previously reviewed TWIST User Access during onsite reviews. After conducting these reviews for a time, little to no issues were identified, and this issue was then considered to be a lower-risk area, and Subrecipient Monitoring concluded their reviews so they could focus on higher-risk areas. TWC's Subrecipient Monitoring Department will reinstate review of Board's TWIST user access permissions and related data-access policies during onsite annual reviews. Board and contractor responsibilities related to user-access are defined in WD Letter 11-16 (<https://twc.texas.gov/files/partners/11-16-twc.pdf>).

Board Subrecipient Monitoring Department will begin review in Spring 2020 after the completion of the federally mandated Child Care Improper Payments Report (ACF-404) which is currently underway.

Director, Subrecipient Monitoring Division

Due Date: Spring 2020

- ♦ ***Workforce Boards and their contractors perform and document periodic user access reviews.***

TWC agrees with this recommendation.

TWC's Subrecipient Monitoring Department will reinstate review of Board's TWIST user access procedures during annual onsite reviews to ensure that Boards are conducting periodic user access reviews.

Subrecipient Monitoring Department will begin review in Spring 2020 after the completion of the federally mandated Child Care Improper Payments Report (ACF-404) which is currently underway.

Board and contractor responsibilities related to user-access are defined in WD Letter 11-16 (<https://twc.texas.gov/files/partners/11-16-twc.pdf>). Within TWIST, administrators can run user-level Data Security reports to assist with user-access reviews.

Director, Subrecipient Monitoring Division

Due Date: Spring 2020

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Texas Workforce Commission (TWC) is administering the provision of day care services for children in protective services according to applicable requirements, including whether:
 - ♦ Authorized services are provided by eligible providers;
 - ♦ Services are provided at allowable reimbursement rates; and
 - ♦ Client data is protected.
- Determine whether the Department of Family and Protective Services (DFPS) is reimbursing TWC for eligible expenses.

Scope

The scope of this audit covered children in protective services who were authorized to receive child care services from September 1, 2017, through January 31, 2019.

Methodology

The audit methodology included reviewing and accessing processes of TWC, DFPS, and TWC's local Workforce Development Boards (Workforce Boards) for administering the provisions of child care services for children in protective services in accordance with contract requirements, applicable laws, rules, and agency policies and procedures.

Data Reliability and Completeness

Auditors reviewed data sets containing child care authorizations, terminations, attendance, and expenditure information for children in protective services in TWC's The Workforce Information System of Texas (TWIST) system for reliability, validity, and completeness by (1) reviewing user access; (2) reviewing data query language; (3) testing application controls over data accuracy; (4) performing analysis of the data; and (5) comparing that information to other sources.

Auditors also relied on prior State Auditor’s Office audit work that tested general controls over the Uniform Statewide Accounting System (USAS), as well as prior audit work that tested general controls related to high profile user access, password, and change management performed at TWC and DFPS by KPMG for the fiscal year 2018 Statewide Single Audit for TWIST, and the two systems used to compare child care data from TWIST: DFPS’s case management system for children in protective services (IMPACT) and TWC’s Cash Draw and Expenditure Reporting system (CDER).

Auditors determined that the data from USAS, TWIST, IMPACT, and CDER was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors selected two Workforce Boards for conducting fieldwork testing using a risk-based sample methodology. The population included all 28 Workforce Boards.

To test compliance with requirements in its contracts, laws, rules, and TWC policies and procedures, auditors selected non-statistical samples through random selection of children in child protective services who received child care services during the audit scope at each of the two Workforce Boards. The sample items were not necessarily representative of the complete population of children in protective services receiving child care; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- Child care contracts for fiscal year 2018 and fiscal year 2019 for DFPS, TWC, Workforce Boards, and the child care contractors for the Tarrant County Workforce Development Board and the Gulf Coast Workforce Development Board.
- TWC and Workforce Board policies and procedures.
- Child care data from TWIST and IMPACT for children in protective services who were authorized to receive child care between September 1, 2017, and January 31, 2019.
- DFPS child attendance data from TWIST for the time period from September 1, 2017, through January 31, 2019.
- Provider maximum allowable rate tables established by Workforce Boards for fiscal year 2018 and fiscal year 2019.

- Documentation scanned in Workforce Board systems to support child care authorizations, terminations, and other child care-related communications.
- List of all day care providers from DFPS whose licenses had ever been suspended or revoked as of February 28, 2019.
- Child care payment data from USAS between September 1, 2017, and January 31, 2019.
- Billing rejection reports from DFPS and TWC for the 2018 and 2019 contract periods, as of January 31, 2019.
- Documentation to support child care monitoring activities by TWC, the Tarrant County Workforce Development Board, the Gulf Coast Workforce Development Board, and the child care contractors for those two Workforce Boards for fiscal year 2018 and fiscal year 2019, as of January 31, 2019.
- List of active user accounts with access to child care information in TWIST.
- List of active user accounts with access to systems containing child care information at the Tarrant County Workforce Development Board and the Gulf Coast Workforce Development Board.
- Electronic communications sent between TWC, DFPS, and Workforce Boards related to child care for children in protective services between September 1, 2017, and January 31, 2019.

Procedures and tests conducted included the following:

- Interviewed key staff members at TWC, DFPS, and the two Workforce Boards selected for testing and their child care contractors.
- Selected random samples of children in protective services who received child care between September 1, 2017, and January 31, 2019, at two Workforce Boards selected for testing to test compliance with maximum allowable reimbursement rates, authorizations for care, and the timeliness and accuracy of the entry of child care authorization and termination data into TWIST.
- Analyzed attendance data for all children in protective services who received child care services between September 1, 2017, and January 31, 2019.

- Analyzed and verified that all child care providers that provided services between September 1, 2017, and January 31, 2019, to children in protective services did not have any adverse actions that would preclude them from being eligible to provide child care services.
- Reviewed reimbursements for child care payments made from DFPS to TWC between September 1, 2017, and January 31, 2019, for compliance with contract requirements.
- Reviewed and selected supporting documentation for monitoring of DFPS child care requirements for fiscal year 2018 at TWC and the two Workforce Boards audited.
- Tested access to child care data in TWIST and to systems at the two Workforce Boards audited to determine whether system access permissions were appropriate and managed according to TWC policies.
- Performed selected tests to determine whether TWC was sufficiently monitoring confidential client data and whether that confidential information was sent securely between DFPS, TWC, and Workforce Boards.

Criteria used included the following:

- Title 40, Texas Administrative Code, Chapter 809.
- Child care contracts for DFPS, TWC, and Workforce Boards for fiscal years 2018 and 2019.
- TWC policies and procedures, including its *Child Care Services Guide*.
- Tarrant County Workforce Development Board's and the Gulf Coast Workforce Development Board's policies and procedures.

Project Information

Audit fieldwork was conducted from January 2019 through August 2019. We conducted this performance audit in accordance with generally accepted government auditing standards⁸. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Stacey Williams, CGAP (Project Manager)
- Adam Berry (Assistant Project Manager)
- Elizabeth Gallegos, MAcc
- Oliver R. Guerra
- Namita Pai, CPA
- Erin Peloquin, CPA
- Serra Tamur, MPAff, CISA, CIA
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (Audit Manager)

⁸ United States Government Accountability Office's *Government Auditing Standards*, 2011 Revision.

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

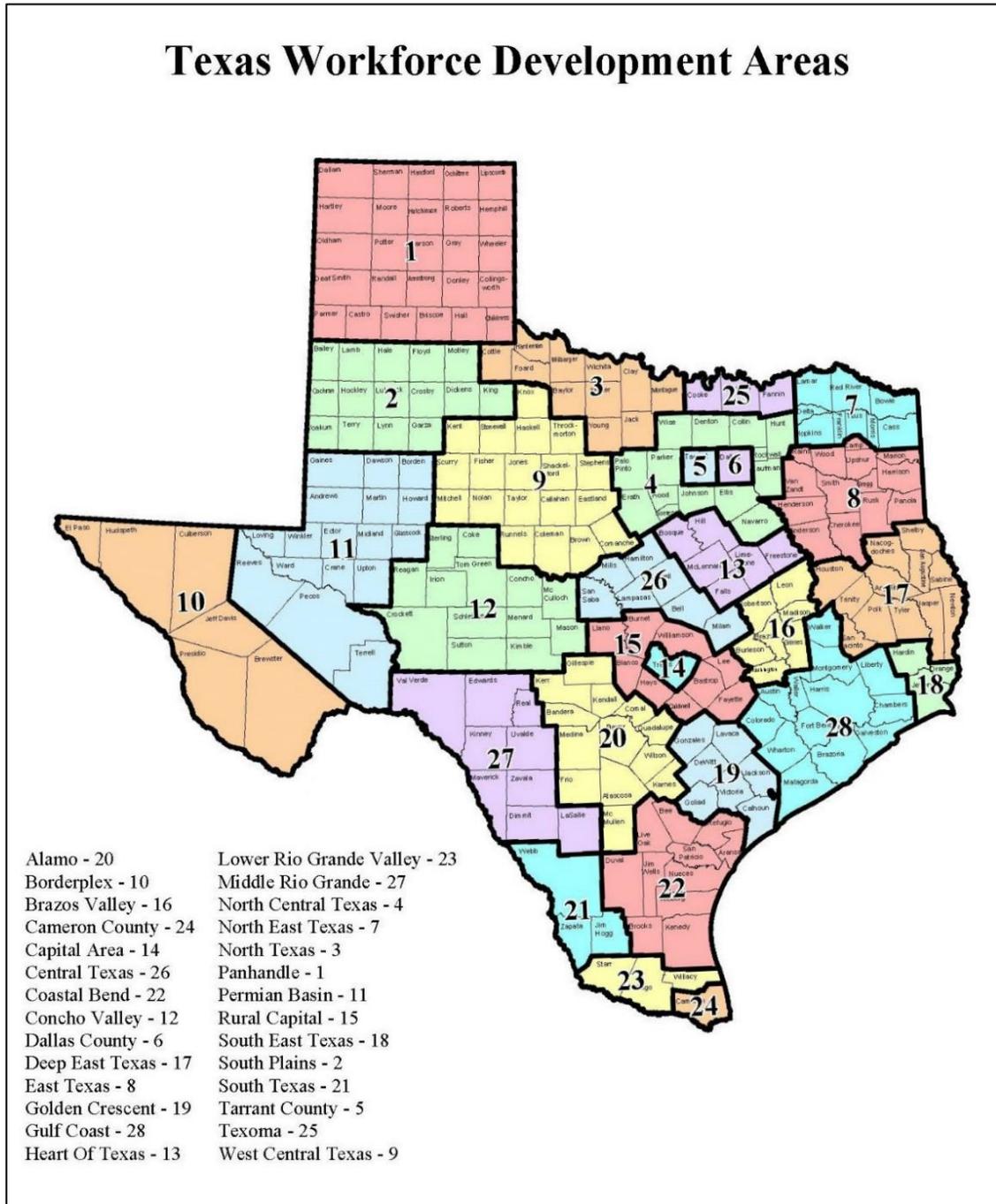
Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Texas Workforce Development Board Areas

Figure 4 shows the Texas Workforce Commission’s 28 Workforce Development Board areas. See Appendix 4 for the child care information for each workforce development area.

Figure 4



Source: Texas Workforce Commission.

Number of Child Care Providers, Children, and Expenditures

As Table 3 shows, a total of 5,609 child care providers supplied care for 52,393 children in protective services. (See Appendix 3 for a map of the Workforce Development Board areas.)

Table 3

Providers, Enrollment, and Expenditures for Child Care for Children in Protective Services By Workforce Board from September 1, 2017, through January 31, 2019				
Workforce Board Number	Workforce Board	Number of Children Provided Child Care	Total Child Care Providers	Amount Paid for Child Care
28	Gulf Coast	8,997	1,134	\$23,914,621
20	Alamo	7,603	468	\$18,895,599
6	Dallas County	4,529	484	\$9,157,204
4	North Central	4,436	495	\$9,627,228
5	Tarrant County	4,252	398	\$8,974,269
8	East Texas	2,155	179	\$4,188,271
2	South Plains	1,877	110	\$3,132,402
15	Rural Capital Area	1,794	298	\$4,674,583
22	Coastal Bend	1,617	120	\$3,154,121
14	Capital Area	1,614	288	\$4,887,457
10	Upper Rio Grande	1,531	172	\$2,697,500
26	Central Texas	1,478	153	\$2,321,990
23	Lower Rio Grande	1,445	265	\$2,035,487
13	Heart of Texas	1,047	104	\$2,054,656
1	Panhandle	1,040	79	\$2,116,939
9	West Central	902	76	\$1,454,929
24	Cameron County	704	108	\$1,029,365
18	Southeast	687	78	\$991,049
7	North East	660	76	\$953,606
17	Deep East	588	80	\$1,087,661
3	North Texas	572	56	\$1,042,448
11	Permian Basin	571	79	\$903,652
25	Texoma	532	54	\$1,041,124
21	South Texas	428	67	\$750,434
16	Brazos Valley	402	59	\$840,266
27	Middle Rio Grande	314	40	\$489,069
19	Golden Crescent	312	46	\$586,303
12	Concho Valley	306	43	\$549,835
Totals		52,393	5,609	\$113,552,065^a
^a Total does not sum exactly due to rounding.				

Sources: The Texas Workforce Commission and Department of Family and Protective Services.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dennis Bonnen, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Dustin Burrows, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Department of Family and Protective Services

Mr. Trevor Woodruff, Acting Commissioner

Texas Workforce Commission

Members of the Workforce Commission:

Mr. Bryan Daniel, Chairman

Mr. Julian Alvarez III

Mr. Aaron Demerson

Mr. Edward Serna, Executive Director

Gulf Cost Workforce Development Board

Mr. Mike Temple, Director

Mr. Mark C. Guthrie, Board Chair

Tarrant County Workforce Development Board

Ms. Judy McDonald, Executive Director

Mr. Jon E. Gustafson, Board Chair



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.texas.gov.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.