

An Audit Report on the

# Child Care Program at the Texas Workforce Commission

October 2002

Report No. 03-006



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## Overall Conclusion

The Local Workforce Development Boards (Boards) and contractors that administer the Texas Workforce Commission's (Agency) subsidized Child Care Program have gaps in their processes for managing contracts. As of May 2002, the Agency had not sanctioned any Board for weaknesses relating to the Child Care Program. We estimate that during a five-month period, contractors for 6 of 28 Boards may have made as much as \$1.9 million in unsupported payments, largely for services to clients whose eligibility we could not confirm. The projected \$1.9 million represents 3 percent of the \$62.4 million in total payments made to child care providers during the period audited. Also in fiscal year 2001, these six Boards paid \$20.8 million to relative self-arranged care providers without adequately ensuring that children receive care. Furthermore, incomplete safeguards at the Boards for electronic information relating to the Child Care Program could result in inaccurate payments to providers.

Additionally, we found that the actual rates the six Boards paid providers generally matched the contracted rates. These services were provided in compliance with federal and state requirements, with the previously mentioned exceptions. Based on Agency data, an average of 82 percent of the 28 Boards' fiscal year 2001 expenditures were for direct child care. This amounts to \$68 million to administer the program, which is within the 70 percent guideline set forth in the federal regulations (see Appendix 2).

### Background

The Agency contracts with 28 Local Workforce Development Boards to provide services to Texans and administer various programs, one of which is subsidized child care for working families with financial need. The Boards contract with child care contractors—local nonprofit, for-profit, or governmental agencies—that arrange for services with child care providers. Eligible families also have the option of having a relative or any licensed facility that does not have a contract with the program care for their children. These caregivers are called self-arranged care providers.

Of the Agency's \$988 million appropriation in fiscal year 2001, \$366 million, or 37 percent, was for the Child Care Program.

See Appendix 2 for funding allocations and expenditures for all 28 Boards.

## Key Points

### Weaknesses in Contract Management May Have Allowed an Estimated \$1.9 Million in Unsupported Payments

We estimate that weaknesses in monitoring and sanctioning processes at the Boards we audited may have allowed as much as \$1.9 million in unsupported payments to child care providers between September 2001 and January 2002. The projected \$1.9 million represents 3 percent of the \$62.4 million in total payments made to child care providers during this time period. Payments to clients whose eligibility we could not confirm because of errors in payment and case files or missing documentation account for \$1.6 million of the total estimate. Of the \$1.6 million, 86 percent of the dollar errors were



This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0133.

For more information regarding this report, contact Sandra Vice, Audit Manager, at (512) 936-9500.

identified at one Board. The six Boards we audited received \$147 million in fiscal year 2001, or 48 percent of the total funding to the 28 Boards, according to the Agency.

Included in the projected \$1.9 million in unsupported payments were contractors at three Boards who may have paid an estimated \$331,000 to providers for services to clients who may have underreported their wages when applying for child care services. This assessment is based on a comparison of clients' applications for services and the wage information employers report to the Agency for tax purposes. If these clients in fact underreported their wages, they could be receiving services for which they are not eligible, or their share of the child care costs, which is calculated based on their incomes, could be too low and the program's too high.

The six Boards we audited do not perform adequate monitoring visits to relative self-arranged care providers. The six Boards paid self-arranged care providers \$20.8 million for services in fiscal year 2001.

### **Incomplete Safeguards for Electronic Data in the Child Care Service Delivery System Risk Inaccurate Payments**

The six Boards we audited have incomplete safeguards for the information they maintain in the Child Care Service Delivery System, which is the application the Boards use to transmit data to the Agency's Budget and Payment Application (BAPA). Weaknesses in the way Boards administer the automated systems create a risk of processing inaccurate payments due to incomplete or inaccurate data.

### **The Three Performance Measures in the Agency's Contracts With the Boards Do Not Provide Reliable Information for Decision Making**

Of the three performance measures in the Agency's child care contracts with the Boards, two are inaccurate. The "Average Number of Children Served per Day" measure is inaccurate because the data the Agency uses to calculate the measure is not reliable. The measure "Percent of Child Care Management System Vendors Who Have Met Designated Vendor Criteria" is inaccurate because the Agency does not follow the measure definition. The definition for the third measure, "Number of Clients Trained Through TWC Child Care Training," is too broad, resulting in inconsistent information from Board to Board.

## ***Summary of Information Technology Work Performed***

The six audited Boards do not adequately safeguard electronic child care data and, therefore, risk inaccurate payments. Our review included physical, access, and application controls over the Child Care Service Delivery System (System), as well as a test of data reliability. Each Board and its contractor enter and maintain all case, client, provider, financial, and funding information in the System. The Boards periodically transmit data in the System to BAPA. Because the System is the local application into which the Boards and contractors enter data that is used to process payments, controls designed to ensure that the information entered into the System is accurate are key to ensuring that the Boards and contractors process accurate payments. Our conclusions do not extend to systems other than the Child Care Service Delivery System at the Boards we audited.

## ***Summary of Management's Response***

Overall, the Agency generally agrees with our recommendations; however, the character of the responses required us to include follow-up comments to each response. The individual Boards' responses varied on each finding and recommendation. The Board responses can be found in the "Local Workforce Development Boards' Responses" section, which begins on page 22.

## ***Summary of Audit Objectives, Scope, and Methodology***

The objectives of this audit were to determine whether the procedures used to award and monitor contracts for the Child Care Program ensure that:

- Contractors provide agreed-upon services at reasonable prices.
- Funds are spent in accordance with state and federal requirements.

The scope included a review of contract award and monitoring activities at the Agency's Austin headquarters, six selected Boards, and the six Boards' child care contractors. These six Boards collectively received approximately 48 percent of child care funding for fiscal year 2001. The scope also included a limited review of automated systems that support the Child Care Program at the local Boards and their child care contractors. Additionally, we reviewed the information reported for the three child care performance measures on which the Boards are required to report monthly to the Agency. We also considered the usefulness of the measures in managing the Child Care Program.

Our methodology consisted of reviewing contracts between the Agency and the Boards, between the Boards and their child care contractors, and between the contractors and providers. Our contract monitoring review included case file testing of a statistical sample at each Board's child care contractor's office. Testing was designed to verify eligibility of the recipient of services, supporting documentation of that eligibility, and the accuracy of payments at agreed-upon rates to providers of child care services. We reviewed provider rates to ensure compliance with Board-established rates.

## Table of Results and Recommendations

Weaknesses in Contract Management Resulted in up to \$1.6 Million in Payments for Services to Clients Whose Eligibility Was Not Supported. Page 2.

The Agency should ensure that all Boards enforce current monitoring policies and procedures by:

- Requiring Boards to report on implementation of the monitoring plans.
- Evaluating the Boards' progress on their monitoring activities.
- Ensuring that Boards and contractors perform both fiscal and programmatic monitoring on a timely basis.
- Requiring the contractors to communicate significant findings from their own monitoring to the Board.
- Requiring that the Board and contractor follow up on findings and ensuring that the contractor or provider corrects them.

The Agency should review the performance of each Board and implement sanctions against Boards that it determines are severely deficient in their performance or compliance with laws and regulations relative to the Child Care Program.

Contractors May Have Provided Child Care Services Valued at \$331,000 to Clients Who Underreported Their Wages. Page 5.

The Boards should direct the contractors to:

- Periodically compare the clients' claimed incomes with the wage information employers report to the Agency and seek explanations for significant differences.
- Enforce the requirement that clients furnish documentation, which may include paycheck stubs, and retain the documentation in the case files.

Boards should provide guidance to contractors on the type of documentation required to verify client income. In addition, the Boards should hold contractors accountable for verifying client income by reviewing documentation during monitoring visits.

The Agency should include a brief review of the contractors' efforts regarding wage comparisons as a part of its regularly scheduled monitoring activities.

Boards Are at Risk of Making Additional Improper Payments Because of Inadequate Monitoring of Self-Arranged Child Care Providers. Page 8.

The Agency should:

- Require Boards to develop monitoring plans that address an adequate review of relative self-arranged care providers and include these plans in providers' contractual agreements with the Agency.
- Consult with its legal counsel on the best strategies to limit any potential liability issues regarding these provider arrangements.

The Boards should:

- Contractually require their child care contractors to monitor relative self-arranged care providers.
- Include at a minimum the following steps to address the current monitoring gaps:
  - ♦ Require the child care contractors to make initial home visits to each new relative self-arranged care provider.
  - ♦ Require the child care contractor to assess the risks associated with each relative self-arranged care provider and monitor the highest-risk providers annually and ensure that all are monitored at least once every three years.

The Agency Has Not Established a Daily Minimum Time a Child Must Attend Child Care to Be Considered Present. Page 11.

The Agency should study this issue to determine the frequency of occurrences. If the cost to implement and enforce a minimum daily attendance requirement is less than the benefits the Agency would gain from implementation, the Agency should require the Boards to develop and enforce requirements for the minimum amount of time a child must be in care during a day to be counted present.

Table of Results and Recommendations	
Incomplete Safeguards for Electronic Data in the Child Care Service Delivery System Risk Inaccurate Payments. Page 13.	
	<p>The Agency should periodically consolidate its general and application control policies, procedures, and updates and should formally communicate them to the Boards. In addition to its current information technology monitoring activities at the Boards, the Agency should verify that the Boards are actively using the consolidated policies and procedures.</p> <p>Boards should be aware of and understand the consolidated policies and procedures, ensuring that they are implemented and communicated to their child care contractors. Additionally, the Boards should hold their child care contractors accountable to these policies and procedures and periodically monitor them for compliance.</p> <p>The Agency should include in its consolidated policies and procedures at least the following specific control issues:</p> <p>Physical security controls:</p> <ul style="list-style-type: none"> <li>▪ Backup tapes should be stored in secured areas in fireproof containers away from the server room.</li> <li>▪ Backup procedures should be in writing and monitored for compliance.</li> </ul> <p>Access and applications controls:</p> <ul style="list-style-type: none"> <li>▪ Child Care Service Delivery System users should set their own passwords and keep them private. Passwords should expire at regular time intervals.</li> <li>▪ Full access rights should be periodically evaluated and monitored to ensure that only authorized personnel who need full access have that access. When a person's job duties change, access rights should be reassessed and changed accordingly.</li> <li>▪ Edit checks that prevent entering less than nine digits for social security or employer identification numbers should be incorporated into the local application for the child care provider screens.</li> </ul>
Measure "Average Number of Children Served Per Day, Excluding Choices and Employment and Training Services" is inaccurate. Page 17.	
	The Agency, Boards, and child care contractors should implement procedures to ensure the accuracy of payments to providers as discussed in Chapter 1.
Measure "Percent of Child Care Management System Vendors Who Have Met Designated Vendor Criteria" is inaccurate. Page 18.	
	The Agency should calculate the measure according to the definition or work with the Legislative Budget Board to revise the definition.
Measure "Number of Clients Trained Through TWC Child Care Training" is not useful. Page 19.	
	<p>The Agency should work with the Legislative Budget Board to:</p> <ul style="list-style-type: none"> <li>▪ Clarify the measure definition to include criteria for what can be counted as training under this measure.</li> <li>▪ Review the performance target and update if necessary.</li> </ul>

Recent SAO Audit Work		
Number	Report Name	Release Date
02-345	State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2001	May 2002
02-001	A Review of Projections for the Smart Jobs Fund, the Unemployment Compensation Trust Fund, and the Smart Jobs Holding Fund	September 2001
01-555	The 2000 Statewide Single Audit Report - Financial and Federal Compliance Audit Report	April 2001
01-022	An Audit Report on the Local Workforce Boards	March 2001





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# Detailed Results

Chapter 1

## **Weaknesses in Contract Management May Have Allowed an Estimated \$1.9 Million in Unsupported Payments**

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The Local Workforce Development Boards (Boards) and contractors that administer the Texas Workforce Commission's (Agency) subsidized Child Care Program have gaps in their processes for managing contracts. As of May 2002, the Agency had not sanctioned any Board for weaknesses relating to the Child Care Program. We estimate that these Boards' contractors may have made as much as \$1.9 million in unsupported payments, largely for services to clients whose eligibility we could not confirm. This assessment is based on a statistical projection of results from testing a sample of case files at six Boards. The projected \$1.9 million in unsupported payments represents 3 percent of the \$62.4 million in total payments made to child care providers from September 2001 to January 2002 at these six Boards. This amount includes:

- A projected \$1.6 million in unsupported payments to clients.
- A projected \$331,000 in estimated payments to providers for services to clients who may have underreported their wages when applying for child care services. This assessment is based on a comparison of clients' income information on their applications for services and quarterly wage data that employers report to the Agency for tax purposes.

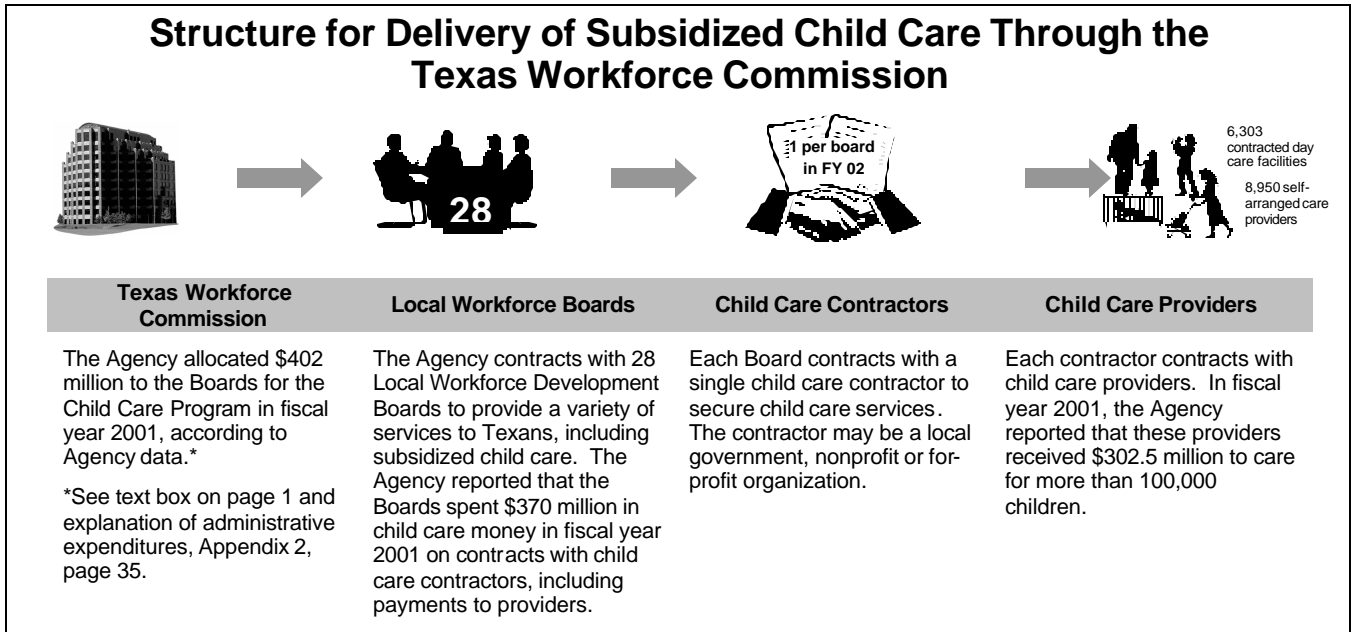
In addition, the Agency may be paying for services that are not actually being rendered. Four of the six Boards we audited do not perform monitoring visits to relative self-arranged child care providers to ensure that children receive care. The Agency reported that it paid approximately \$40 million to relative self-arranged child care providers in fiscal year 2001, which includes \$20.8 million to the Boards we audited. Also, because the Agency has not established a minimum time a child must attend child care each day to be considered present, some clients may have their children attend for only a few minutes per day to meet the attendance requirement and to maintain eligibility. With these exceptions, the Agency provided child care services in compliance with federal and state requirements.

### **Structure of Subsidized Child Care Through the Texas Workforce Commission**

Figure 1 on page 2 depicts the four levels of child care administration within Texas. Child care contractors pay the providers directly for services and monitor the providers at least annually. Either the Boards or the Agency reimburse the contractors for payments to providers. Each Board monitors its contractor at least once per year to ensure compliance with state and federal regulations. The Agency monitors the Boards at least annually.

The Agency spent \$370 million on child care in fiscal year 2001 through the Boards and contractors, according to the Agency's data. Of this total, 82 percent, or \$302.5 million, went to direct payments to child care providers, with a range at individual Boards of 69 percent to 87 percent. (See Appendix 2 for funding and expenditures for the 28 Boards.)

Figure 1



The Agency, Boards, and child care contractors paid reasonable prices for services provided at the six Boards we audited for the period we audited. The Agency reported that these six Boards received approximately 48 percent of child care funding awarded to all the Boards in fiscal year 2001. We compared the rates the Boards agreed to pay the providers in their provider agreements with the allowable rates for each Board and the rates actually paid to the providers. We found that the actual rates the six Boards paid providers generally matched the contracted rates.

Chapter 1-A

### Weaknesses in Contract Management Resulted in up to \$1.6 Million in Payments for Services to Clients Whose Eligibility Was Not Supported

Gaps in contract management at the Board and contractor levels of the Agency’s subsidized Child Care Program resulted in contractors making unsupported payments to child care providers. Testing of payment and case files dated between September 2001 and January 2002 at 6 of the 28 Boards identified several types of errors. In most cases, the errors prevented us from verifying a client’s eligibility. Based on a statistical projection of these errors, we estimate that the contractors for the six audited Boards may have paid as much as \$1.6 million over the five

Table 1

Projected Payments for Services to Clients Whose Eligibility Was Not Supported		
Board	Amount of Projected Payments	Number of Projected Payments
Alamo	\$ 1,390,877	12,605
Coastal Bend	212,535	3,379
Gulf Coast	0	0
North Central	6,977	307
South Texas	0	0
Upper Rio Grande	0	0
<b>Total</b>	<b>\$ 1,610,389</b>	<b>16,291</b>
Source: Auditor testing of the Boards’ files dated September 2001 through January 2002		

months our sample covered to clients whose eligibility we could not confirm (see Table 1). The City of San Antonio (City), which is the child care contractor for the Alamo Board, is responsible for 86 percent of the dollars associated with these eligibility errors.

We identified several types of errors or missing information relating to eligibility, such as applications that were missing client signatures, files that did not contain verification of client income, and evidence of services provided during periods when the child's care was not authorized. At one Board, some case and payment files were missing or were largely incomplete. Texas Administrative Code, Section 809.73, requires clients to provide the contractor with information demonstrating their eligibility for child care services.

Two internal monitoring reports by the City for fiscal year 2001 identified similar problems with the documentation of eligibility at the Alamo Board. The reports, released in February and April 2002, indicated that 60 percent and 40 percent (respectively) of the case files tested were noncompliant because eligibility forms were not complete and because the contractor (the City) had not followed up on eligibility forms that had not been returned.

As part of the projected \$1.6 million in eligibility errors, we found the following types of errors with less frequency at each of the six contractors:

- Contractors did not always calculate the clients' shares of the child care costs correctly, which resulted in clients being overcharged or undercharged. Contractors also did not always deduct the client fee from their payments to child care providers, which resulted in the program paying its share and the clients' shares of the costs.
- Contractors paid providers for the wrong amount of services, resulting in both underpayments and overpayments.
- Eligibility and client fee information in the contractors' computer systems did not always match the information in the hard copy case files. This resulted in contractors' basing payments on inaccurate information in some instances.

Title 40, Section 800.353, of the Texas Administrative Code requires Boards to monitor their contractors and requires contractors to monitor the providers to ensure that they achieve desired program results and protect program funds from fraud, waste, and abuse. We identified the following weaknesses within the monitoring processes at the Agency, the Boards, and the contractors that allowed these errors to occur and go uncorrected:

- The Alamo Board did not ensure that it received reports of programmatic monitoring performed by the contractor in fiscal year 2001.
- The Alamo Board did not ensure that the contractor addressed recommendations resulting from the Board's fiscal monitoring of the contractors.
- One provider file for the Coastal Bend Board contained no evidence that the contractor performed annual monitoring on the provider in fiscal year 2001.

As of May 2002, the Agency had not sanctioned any Board for weaknesses relating to the Child Care Program, even though the Child Care Program is the largest federal grant the Agency receives. (See text box for information on sanctions and penalties.)

The Agency has the authority to withhold funds from Boards that do not comply with contract provisions.

## Recommendations

The Agency should ensure that all Boards enforce current monitoring policies and procedures by:

- Requiring Boards to report on implementation of the monitoring plans.
- Evaluating the Boards' progress on their monitoring activities.
- Ensuring that Boards and contractors perform both fiscal and programmatic monitoring on a timely basis.
- Requiring the contractors to communicate significant findings from their own monitoring to the Board.
- Requiring that the Board and contractor follow up on findings and ensuring that the contractor or provider corrects them.

The Agency should review the performance of each Board and implement sanctions against Boards that it determines are severely deficient in their performance or compliance with laws and regulations relative to the Child Care Program.

### Sanctions and Penalties

The Agency can impose corrective action plans plus three levels of sanctions on Boards that do not comply with one or more contracted measures, federal or state statutes, regulations, or other policy documents. The corrective action plan requires a Board to correct specific instances of noncompliance or other failure within a certain time frame. The three levels of sanctions may be associated with penalties that increase in severity. The possible penalties include, but are not limited to:

- Participation in technical assistance, quality assurance, or training activities.
- On-site visits by the Agency to oversee, manage, or assist with daily operations of the Board or contractor, including appointment of a steward.
- An Agency-developed and Board-implemented corrective action plan.
- Submission of more detailed or additional financial or performance reports.
- Designation as a high-risk Board, requiring additional monitoring visits.
- Payment by reimbursement only, or delay, suspension, or denial of contract payments.
- Reduction or deobligation of Board funds.
- Contract cancellation or termination.

## Management's Response

*The Agency's Contract Monitoring department reviews the Boards' monitoring plans, reports, risk assessments, and working papers to insure they are performing monitoring timely and reporting to management appropriately. Contract Monitoring's reports include any program weaknesses that were discovered as well as a resolution section where corrective action taken to address noted weaknesses is reported.*

*Contract Monitoring reviewed the exceptions noted by the SAO and found that approximately 12% of their exceptions were for clients who would have received the benefit because they were determined eligible by the Department of Human Services*

*under state or federal guidelines. In those cases, it would seem that the lack of signature on a document would be a documentation issue and not a possible misuse of funds issue.*

*The Agency is in the process of imposing sanctions where deficiencies exist at five Boards. The Agency's Child Care Services is responsible for monitoring performance and compliance with laws and regulations through monthly performance reports and Contract Monitoring reports. CCS staff are responsible for providing technical assistance and training to the Boards when needed or requested as well as arranging on-site visits where appropriate, and participating in the development of a corrective action plans if necessary. The Director of Child Care Services is a member of the Agency's Sanctions Committee, and as a member is responsible for making recommendations for Sanctions when a Board is not meeting its contractual obligations.*

### **Auditor Follow-Up Comment**

The issue is that payments were made for services to clients whose eligibility we could not confirm. This means the Agency cannot ensure that funds are being expended as the Legislature intended. Using the percentages calculated by the Agency, 88 percent of the cases tested for eligibility could not be confirmed because of insufficient support in case files. When income is the primary determiner of eligibility, it is vital that the reported income be verified and documented in case files. In these cases where income could not be verified, we believe there is a risk that child care funds may not have been spent in compliance with laws and regulations. We are unable to give assurance as to the use of funds because of a lack of documentation to support eligibility.

Chapter 1-B

### **Contractors May Have Provided Child Care Services Valued at \$331,000 to Clients Who Underreported Their Wages**

Some recipients of subsidized child care may have underreported their wages (see Table 2). This is based on a comparison of 164 child care client files and wages reported to the Agency by employers for unemployment insurance tax purposes for the fourth quarter of calendar year 2001. (Each quarter, most Texas employers are required to report employee wages to the Agency for employment tax purposes.) As a result, ineligible clients may have received subsidized child care, and eligible clients may have had their share of the costs incorrectly calculated.

At three of six Boards, eight clients' wages in the Agency's wage tax database were high enough to disqualify the clients. (Because employers report wages quarterly, we averaged on a monthly basis.) According to the Texas Administrative Code, Section 809.92 (f), a family's income can be no more than 85 percent of the state median income for a family of the same size to be eligible for subsidized child care. The Agency paid \$5,976 in child care services for these eight cases during the fourth quarter of fiscal year 2001. For example, one client claimed a monthly income of \$1,342, but the Agency's wage data indicated an average monthly income of \$2,912. The maximum eligible income to receive benefits was \$2,206. When the total of the



payments made in these eight cases (\$5,976) is projected to the total payments made between September 2001 and January 2002, these three Boards could have made more than \$331,000 in ineligible payments.

In 58 of the 164 cases we reviewed (35 percent), the wages in the Agency's wage tax data were \$500 to \$7,400 higher than the clients claimed in the eligibility certification. Eight of these are the cases discussed previously. While the wages in the remaining 50 cases were not high enough to disqualify clients, the differences could indicate that the clients' shares of the child care costs were incorrectly calculated. A client's share is calculated on a sliding scale based on the client's income. Underreporting income reduces the client's share and increases the program's share, thereby reducing the amount available to serve other clients.

The child care contractor is responsible for determining eligibility for all applicants based on the Board's policies and procedures, which includes obtaining proof of income. Additionally, eligibility must be redetermined any time there is a change in family income. During testing, we found handwritten notations in the files saying that the contractor had called an applicant's employer to verify the income, but files did not always include documentation such as check stubs. The discrepancies we identified indicate that a phone call may not be sufficient verification when income is the key factor in determining eligibility to receive services.

While there may be explanations for some of the differences between the Agency's wage data and the client-reported wages, such as overtime payments or job changes after eligibility applications are submitted, the number of instances identified indicates a deficiency in the eligibility-determination process. It is possible for Boards or contractors to request that the Agency verify wage information reported on the child care application against the data employers report to the Agency for tax purposes. Currently, Boards and contractors do not work with the Agency to perform this comparison, according to Agency management. A review and analysis of the Agency's wage data would take only a small amount of time to perform because the information is already available to the Agency. For example, a contractor's caseworker could request that the Agency verify the incomes of a random sample of clients on a quarterly basis.

Table 2

Some Clients May Have Underreported Their Wages When Applying for Subsidized Child Care	
Board	Percentage of Clients Whose Wages on Application Were at Least \$500 Less Than Employer Reported for Tax Purposes
Alamo	16.42%
Coastal Bend	12.50%
Gulf Coast	20.13%
North Central	12.77%
South Texas	11.11%
Upper Rio Grande	11.11%
<b>Overall Percentage</b>	<b>16.16%</b>

Sources: Client applications and quarterly wages reported to the Commission for the fourth quarter of fiscal year 2001

## Recommendations

The Boards should direct the contractors to:

- Periodically compare the clients' claimed incomes with the wage information employers report to the Agency and seek explanations for significant differences.
- Enforce the requirement that clients furnish documentation, which may include paycheck stubs, and retain the documentation in the case files.

Boards should provide guidance to contractors on the type of documentation required to verify client income. In addition, the Boards should hold contractors accountable for verifying client income by reviewing documentation during monitoring visits.

The Agency should include a brief review of the contractors' efforts regarding wage comparisons as a part of its regularly scheduled monitoring activities.

## Management's Response

*The Agency Contract Monitoring department routinely reviews the case files to determine if supporting documentation is properly maintained. Any deficiencies are reported in the Contract Monitoring report to the Board and Contract Monitoring Resolution follows up on corrective action.*

*The feasibility of comparing the applicants' claimed incomes with the wage information that employers report as an Unemployment Insurance (UI) requirement to the Agency may not be practical. The UI wage data is at least three months old because employers report it at the end of each quarter. There are numerous reasons an applicant would be eligible at the time of application and appear to not be eligible based on the UI wage data file. As the majority of child care contractors do not have access to the UI wage data, it is more cost effective and accurate for the caseworker to contact the employer to confirm income.*

*The Agency will evaluate the cost of implementing a practice of comparing reported income with UI wage data files and following up on significant differences.*

## Auditor Follow-Up Comment

The issue is not adequacy of supporting documentation, but checking a readily available data source to validate claimed income. The audit results reported above demonstrate that a significant number of clients (35 percent) appear to be underreporting their incomes. We expect that the Agency would have a concern about this discrepancy.

Periodically (quarterly) checking social security numbers of those whose eligibility is based on income with the Agency's Unemployment Insurance wage database should take a minimal amount of time. We compiled the social security numbers for the samples from all six Boards and submitted them to the Agency to look up in only a matter of hours. The return on the investment of time should be substantial because income is the primary determiner of eligibility to receive subsidized child care.

Moreover, the increase in clients' share of child care costs could allow more available dollars for child care.

Chapter 1-C

### **Boards Are at Risk of Making Additional Improper Payments Because of Inadequate Monitoring of Self-Arranged Child Care Providers**

Four of the six Boards we audited did not monitor relative self-arranged care providers (see text box) to ensure that children actually receive care. Two Boards do limited monitoring, such as selecting homes to visit on a regular basis. Additionally, several Boards told us they have expressed concerns about the abuse of benefits by relative self-arranged providers or clients, such as the following:

A **self-arranged care provider** is either a client's family member who enters into an agreement with the Board's contractor to provide child care services in a private residence at a defined price, or a child care provider not under contract with the Board's child care contractor.

- Providers receive payments for services they are no longer providing.
- The person listed as the provider in the agreement may not be not the person actually providing the services.

The Agency has not provided adequate guidance and direction to the Boards regarding monitoring and oversight of relative self-arranged child care providers. Such monitoring would help to ensure that services are being provided and paid for according to the program requirements. Some Boards stated that a reason they do not monitor relative self-arranged care providers is that if they set too many requirements on these providers, the providers could be considered employees of the Board. Some Boards told us that some relative self-arranged care providers have filed unemployment claims against them. According to the Agency, these claims against the Boards have not succeeded. Setting performance expectations in a contract and monitoring to ensure that the contractor meets the expectations is a basic part of contracting and does not form the basis for an employee-employer relationship. In spite of potential liability issues, at least 1 of the 28 Boards—the Heart of Texas Board—requires its child care contractor to monitor all of its relative self-arranged child care providers.

In fiscal year 2001, the Agency's records indicate that it paid \$40 million to relative self-arranged child care providers, which includes \$20.8 million at the Boards we audited (see Table 3). Because significant portions of some Boards' total expenditures are made up of payments to relative self-arranged care providers, these Boards run the greatest risks of making improper payments.

Table 3

Fiscal Year 2001 Relative Self-Arranged Child Care Expenditures Compared With Direct Care Expenditures				
Board	Number of Relative Self-Arranged Providers	Direct Care Expenditures	Relative Self-Arranged Care Expenditures	Percentage of Direct Expenditures Made to Self-Arranged Care Providers
Alamo	713	\$ 28,268,142	\$ 4,241,063	15.00%
Coastal Bend	428	\$ 9,956,078	\$ 2,480,116	24.91%
Gulf Coast	1,260	\$ 70,181,602	\$ 5,311,845	7.57%
North Central	456	\$ 13,682,025	\$ 1,946,367	14.23%
South Texas	870	\$ 8,412,671	\$ 3,756,676	44.65%
Upper Rio Grande	688	\$ 16,814,151	\$ 3,148,053	18.72%
<b>Totals</b>	<b>4,415</b>	<b>\$ 147,314,669</b>	<b>\$ 20,884,120</b>	<b>14.18%</b>

Source: Texas Workforce Commission Finance Division

## Recommendations

The Agency should:

- Require Boards to develop monitoring plans that address an adequate review of relative self-arranged care providers and include these plans in providers' contractual agreements with the Agency.
- Consult with its legal counsel on the best strategies to limit any potential liability issues regarding these provider arrangements.

The Boards should:

- Contractually require their child care contractors to monitor relative self-arranged care providers.
- Include at a minimum the following steps to address the current monitoring gaps:
  - ♦ Require the child care contractors to make initial home visits to each new relative self-arranged care provider.
  - ♦ Require the child care contractor to assess the risks associated with each relative self-arranged care provider and monitor the highest-risk providers annually and ensure that all are monitored at least once every three years.

## Management's Response

*The Agency has estimated the cost of performing in-home visits to each relative self-arranged provider as described in this recommendation and has found it cost prohibitive. There are more than 12,000 relative providers and approximately 1,700*

*new providers monthly. Using a nominal salary and an average of two hours per visit, the cost to implement this recommendation exceeds a million dollars per year – or 282 children served per day per year. Furthermore, a new U.S. Census Bureau study reveals that grandparents are the leading source of non-parental child care in the country. In fact, grandparents care for more preschoolers than all types of organized child care facilities. The Agency does not believe it would be appropriate to require the Boards to perform the recommended monitoring visits of grandparents or other relative care providers.*

*Under federal regulations, as well as Agency rules, parental choice is not only allowed but is protected as a right and responsibility. As the U.S. Census Bureau study indicates, many parents prefer that a relative care for their children. Relative care is unregulated for a reason – these are not strangers caring for children; these are family members. Parents trust these family members and expect them to love and nurture their children as if they were their own children.*

*The Agency believes that the parents who have chosen a relative to care for their children are responsible for monitoring the care delivered as that is the parents' responsibility. Boards then re-determine the parents' eligibility for child care services according to Agency and Board rules and policies.*

### **Auditor Follow-Up Comment**

The risk is that the Agency, through the Boards, makes \$40 million in annual payments to individuals with little to no assurance that services are being provided. Boards reported to us that they have experienced abuses of the program requirements. Moreover, the number of self-arranged child care providers averaged 59 percent of the total number of child care providers for all 28 Boards. The Agency must provide monitoring guidance to the Boards, and the Boards have a fiduciary responsibility to monitor these providers.

The Agency states in the Sunset Commission's Self-Evaluation Report that (1) current funding levels allow for services to only 7 or 8 percent of the eligible population and (2) an estimated 41,000 families are on waiting lists to receive services. With such a critical need, we would expect the Agency to exhaust all efforts to protect limited funds and to ensure that they are spent as intended.

In addition, incomplete safeguards for electronic data in the automated systems at Board and contractor offices (discussed in Chapter 2) may provide an opportunity for fraud to occur. The combination of full access rights to users who do not need the access, the ability to enter fictitious provider social security numbers without the correct number of digits, the lack of segregation of duties at some contractor offices, and little monitoring of the self-arranged child care providers creates a fertile environment for misuse and misapplication of funds.

The Agency's cost figures are based on an annual visit to each self-arranged child care provider. Boards or contractors could visit a sample of the providers, chosen based on risk, each year at a significantly lower cost than that projected for visiting all providers.

## **The Agency Has Not Established a Daily Minimum Time a Child Must Attend Child Care to Be Considered Present**

Providers at two Boards reported that some clients check children into care for a few minutes and then check them out just so they can meet the attendance requirements to continue service eligibility. However, we were not able to determine how often this occurred or to quantify the effect. The Texas Administrative Code provides some basic guidelines for Boards, but it does not specifically address a minimum attendance time. Section 809.228 defines units of service for child care as follows: “(1) a full day unit of service is six to 12 hours of care provided within a 24-hour period; and (2) a part-day unit of service is less than six hours of care provided within a 24-hour period.” Section 809.229 also states that providers must be paid for a full day of service for a child who occasionally attends for a part day but is enrolled in full-time care.

Nothing in the Texas Administrative Code, the provider agreements, or the eligibility forms preclude a client from checking in a child and then checking the child out a few minutes later, although “full day” and “part day” are defined. Minimum attendance times would clarify how much time a child has to be in the facility to be counted as present. For example, the Texas Education Agency requires students to be in class for a minimum of two hours to receive credit for a half day and at least four hours to receive credit for a full day. If minimum time periods a child must remain in care in order for the provider to receive payment are not established, the Agency may pay for services that are not provided.

### **Recommendation**

The Agency should study this issue to determine the frequency of occurrences. If the cost to implement and enforce a minimum daily attendance requirement is less than the benefits the Agency would gain from implementation, the Agency should require the Boards to develop and enforce requirements for the minimum amount of time a child must be in care during a day to be counted present.

### **Management’s Response**

*The Agency will study this issue and determine the need for recommending to the Boards that a minimum amount of time a child must be in care to be counted as present. If the Agency implemented this recommendation, no child care funds would be saved as providers are paid when children are absent from care. The result of requiring a minimal amount of time for a child to be counted as present would be that a parent’s failure to adhere to the requirement would accumulate more absences. If the absences exceeded the Boards’ allowable number of absences, the parent’s child would be discontinued from care, and another child on the waiting list would be transferred into care.*

*It should be noted that the SAO report states that the evidence for this recommendation came from only two child care providers (hearsay evidence at best) and that no determination has been made as to the extent and frequency of this occurrence. With this in mind, the Agency recommends that a more practical and*

*effective way of addressing this issue is for the two child care providers present the information to their Boards and work with the Boards to resolve these occurrences on a case-by-case basis.*

### **Auditor Follow-Up Comment**

The issue here is not total child care dollars expended, but that clients who are not using services paid for with tax dollars keep other eligible children on waiting lists from accessing the program. There is no control to prevent this from happening. Our audit identified providers at two Boards who raised this issue. The “hearsay” comes from those who are providing the care and who do not stand to benefit from a change in policy.

The Agency estimates that about 41,000 families are on waiting lists, yet it appears to dismiss a potential abuse of the program that, if corrected, would allow more children to be served. As the Agency states, excessive absences can result in removal from the program. This allows other eligible children to participate, thereby increasing the efficient use of limited tax dollars.

## ***Incomplete Safeguards for Electronic Data in the Child Care Service Delivery System Risk Inaccurate Payments***

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Safeguards in place at the six Boards we audited do not ensure that the data in the Child Care Service Delivery System is accurate, reliable, and protected from loss that could result from disasters that affect the hardware or storage media (see text box). Inaccurate and unreliable data could result in incorrect or unauthorized payments to providers. Without proper backup of data, the Boards could experience delays in processing payments and additional costs to the Child Care Program in order to recover or re-create data if a disaster were to occur. The weaknesses we identified included the following:

### **Child Care Service Delivery System**

The Agency's Child Care Service Delivery System houses case, client, provider, financial, and funding information for all clients who receive child care through the Boards. The 28 Boards administer the application, which is the local counterpart to the Agency's Budget and Payment Application (BAPA). The Boards periodically transmit data to BAPA.

**Physical security.** Three Boards or their contractors did not store tapes that contain backups of data from the Child Care Service Delivery System in a secure facility. Controls to mitigate physical damage to computer hardware and any loss of data would include creating backup tapes of data and storing them in a secure facility away from the hardware.

**Access controls.** Three Boards did not properly administer users' passwords. For example, the information technology administrator at one Board set up passwords and can log in as any user. This creates a risk that the administrator could change data and that the staff would not be able to identify the source of the change. Requiring users to create their own passwords helps ensure that only authorized users can access information and resources.

**Application controls.** Some individuals have full access to the local Child Care Service Delivery System even though they do not need full access to perform their job duties. Access functions include the ability to create files, delete files, and read and write data to existing files, while full access includes the ability to perform all of these functions. Limiting users' access would help ensure the security and accuracy of data.

(See Table 4 for each Board's weaknesses.)

The Agency has provided limited guidance to the Boards regarding procedures to safeguard data. Information regarding administration of backup, password, and access procedures for the Child Care Service Delivery System is communicated periodically to the Boards from the Agency in piecemeal. Consequently, the Boards may not have a complete document or comprehensive manual of procedures that can be communicated to their system administrators or their child care contractors.

In addition, the Child Care Service Delivery System does not have complete edit checks to ensure that the social security or employer identification numbers contain the correct number of digits for contracted providers or relative self-arranged care



providers. While edit checks cannot ensure that the Board and contractor capture accurate information in the Child Care Service Delivery System, edit checks would provide some assurance that the information collected is valid.

Table 4

Specific Information Technology Problems at the Six Audited Boards						
Finding	Alamo	Coastal Bend	Gulf Coast	North Central	South Texas	Upper Rio Grande
Physical Security						
Backup tapes are not stored properly .			X		X	X
Access Controls						
Users do not set their own passwords .		X				
Passwords are not reset regularly .					X	
Procedures for passwords and system access are undocumented.						X
Application Controls						
Some employees have more access rights than are required by their job duties .		X	X	X		

Source: Auditor testing of IT controls at the six audited Boards

## Recommendations

The Agency should periodically consolidate its general and application control policies, procedures, and updates and should formally communicate them to the Boards. In addition to its current information technology monitoring activities at the Boards, the Agency should verify that the Boards are actively using the consolidated policies and procedures.

Boards should be aware of and understand the consolidated policies and procedures, ensuring that they are implemented and communicated to their child care contractors. Additionally, the Boards should hold their child care contractors accountable to these policies and procedures and periodically monitor them for compliance.

The Agency should include in its consolidated policies and procedures at least the following specific control issues:

- Physical security controls:
  - ♦ Backup tapes should be stored in secured areas in fireproof containers away from the server room.
  - ♦ Backup procedures should be in writing and monitored for compliance.
- Access and applications controls:
  - ♦ Child Care Service Delivery System users should set their own passwords and keep them private. Passwords should expire at regular time intervals.

- ♦ Full access rights should be periodically evaluated and monitored to ensure that only authorized personnel who need full access have that access. When a person's job duties change, access rights should be reassessed and changed accordingly.
- ♦ Edit checks that prevent entering less than nine digits for social security or employer identification numbers should be incorporated into the local application for the child care provider screens.

## Management's Response

*Child care application policies and procedures in the areas of data access, passwords and backing up the data have been published to the Boards in various ways. These communications include: quarterly network meetings, quarterly Program Automation Coordinators meetings, e-mails addressed to Board and contractor system administrators, application process steps that are published directly in the application. Child care automation will work with child care program to put these procedures in a more formal form of communication.*

*The local application security is set up so that the users themselves can create their own passwords. As in any application, the system administrator has all rights to the application security and all other administration. That is part of what makes them a System Administrator. The roles and responsibilities of the System Administrator need to be made clear by the board. We are currently in the process of changing the application code to force password expiration after 60 days.*

*It is agreed that full access rights should be monitored on a regular basis. There is a need for some employees to have access to more than one system of the application when their job spans across departments. Child Care Automation is creating a report that can be run by the Board that shows the security level of any user for the purpose of review.*

*SSN/EIN edits are being added to the provider section of the application. Edits for other areas of the application that ask for SSN are in place and have been for many years.*

## Auditor Follow-Up Comment

During our audit, we found that many Boards and contractors were not aware of the Agency's policies and procedures. The Agency has provided piecemeal information to the Boards, which causes communication of important information to be inconsistent and difficult to implement. Attendance at the meetings by appropriate Board personnel is not guaranteed. Additionally, as personnel leave the Boards or the contractors, information gathered in the past in this piecemeal fashion may not be passed on to their replacements. The ultimate risk is that a Board will not be following proper procedures to ensure the integrity of the data. Therefore, a formal handbook of recommended policies and procedures for the operation and maintenance of the local application issued to all Boards is needed to ensure consistent communication. Additionally, a formal handbook will provide standards for Agency reviewers to use for monitoring purposes.

While the local application is set up to allow users to set their own passwords, this feature can be circumvented by the system administrator. Users should set and control their own passwords, and passwords should not be administered centrally as a matter of convenience. The system administrator has all rights to application security but should not have access to user passwords. Again, the risk is that the system administrator could change data and that staff would not be able to identify the source of the change because the system administrator could use any user's ID to make a change. Issuing temporary passwords and forcing the users to change the passwords to ones that only they know is a "best practice" recognized by the Institute of Internal Auditors. As our audit identified, the Agency has not given consistent, adequate guidance to the Boards to ensure that improper access cannot occur.

## ***The Three Performance Measures in the Agency's Contracts With the Boards Do Not Provide Reliable Information for Decision Making***

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The three child care performance measures for which the Agency holds Boards accountable in their child care contracts are inaccurate or do not provide reliable information. The measure "Average Number of Children Served per Day" is inaccurate because the data the Agency uses to calculate the measure is not reliable. The measure "Percent of Child Care Management System Vendors Who Have Met Designated Vendor Criteria" is inaccurate because the Agency does not follow the measure's definition. The measure "Number of Clients Trained Through TWC Child Care Training," which is not a key measure, is too broadly defined and too easily achieved to be useful to management. We did not perform tests to determine whether the Agency follows the measure definition or is calculating this measure accurately.

### Chapter 3-A

*Measure Classification: Efficiency*

#### **Average Number of Children Served Per Day, Excluding Choices and Employment and Training Services**

The measure "Average Number of Children Served per Day" is inaccurate because the child care contractors paid for services to clients whose eligibility could not be verified or the provider was underpaid for services it provided to eligible clients. (Chapter 1 of this report discusses these errors.) This measure provides the Agency with information on the amount of service each Board is providing. If it is inaccurate, the Agency cannot know whether the Boards are meeting their contracted goals.

#### **Results: Inaccurate**

Reported performance is not within +/- 5 percent of actual performance, or there is an error rate of 5 percent or more in supporting documentation.

#### **Recommendation**

The Agency, Boards, and child care contractors should implement procedures to ensure the accuracy of payments to providers as discussed in Chapter 1.

#### **Management's Response**

*The Agency and Boards will work on procedures as indicated in responses to Chapter 1. It is very important to us to have accurate information because it is used routinely to manage the program.*

## Percent of Child Care Management System Vendors Who Have Met Designated Vendor Criteria

This measure is inaccurate because the Agency does not calculate it according to its definition. The measure definition states that a vendor is counted as a designated vendor when it meets the designated vendor criteria, and a provider is counted as a vendor when it has a provider agreement in effect. Designated vendors (currently known as Texas Rising Star providers) are child care providers who voluntarily meet standards that are higher than the minimum quality standards required for child care licensing. They receive payment at a rate that is at least 5 percent greater than the rate paid to non-designated vendors, as long as it does not exceed the provider's published rate.

**Results: Inaccurate**

Reported performance is not within +/-5 percent of actual performance, or there is an error rate of 5 percent or more in supporting documentation.

The Agency excludes certain categories of providers from the number of providers the Boards may count in calculating the measure. The definition does not direct the Agency to make these exclusions. This is a measure of child care quality, but the Agency's method of calculating results overstates the percentage of vendors achieving the higher quality standards. Table 5 shows the performance for the six Boards we audited as reported by the Agency as well as the performance when recalculated according to the definition. The Agency's calculation showed that all six of these Boards met this measure. When each Board's performance was calculated according to the definition, only one met the measure.

The Agency reported that the average performance for all 28 Boards was 41 percent, compared with 25 percent when we recalculated according to the definition (see Table 5). This means that the Agency reported that it met the measure in fiscal year 2001, but when the performance measure is recalculated according to the definition, it did not meet the goal of 39 percent.

Table 5

Agency-Reported Percentage of Providers Who Met Designated Vendor Criteria in Fiscal Year 2001		
Board	Reported Performance (Goal = 39 %)	Performance Recalculated According to Measure Definition
Alamo	50.57 %	22.23 %
Coastal Bend	55.79 %	16.99 %
Gulf Coast	37.07 %	23.20 %
North Central	46.67 %	33.27 %
South Texas	73.22 %	44.33 %
Upper Rio Grande	30.91 %	21.05 %
<b>Average of Six Boards</b>	<b>49.04 %</b>	<b>26.84 %</b>
<b>Average of All 28 Boards</b>	<b>41.03 %</b>	<b>25.17 %</b>

Source: Agency data reported via the Automated Budget and Evaluation System of Texas (ABEST) and recalculated by the State Auditor's Office

## **Recommendation**

The Agency should calculate the measure according to the definition or work with the Legislative Budget Board to revise the definition.

## **Management's Response**

*The Agency changed the definition for this measure with the Legislative Budget Board late in FY01. The manner in which the Boards are reporting this measure in fiscal year 2002 is consistent with the modified definition.*

## **Auditor Follow-Up Comment**

The fiscal year 2000 definitions were still used for fiscal year 2001 measure reporting. In addition, we contacted the Legislative Budget Board, and the current analyst was not aware that the Agency was calculating the measure with the exclusions stated previously.

Chapter 3-C

## **Number of Clients Trained Through TWC Child Care Training**

The measure "Number of Clients Trained Through TWC Child Care Training" is too easily achievable to be useful in managing the program. A review of the reported performance for the 28 Boards showed that all exceeded the goal and that performance ranged from 114 percent to 1,557 percent in fiscal year 2001, with an average of 300 percent (see Table 6.) A performance measure should require an organization to challenge itself to achieve it. A measure that is too easily attained may indicate that the target or definition needs to be reassessed.

Table 6

Agency-Reported Number of Clients Trained Through Agency Child Care Training			
Board	Goal	Reported Performance	Percentage of Goal Met
North East Texas	440	6,851	1,557%
West Central Texas	556	2,715	488%
Brazos	405	1,822	450%
Texoma	236	965	409%
South Plains	776	2,837	366%
Rural Capital Area	660	2,367	359%
North Central	1,733	6,192	357%
Concho Valley	241	853	354%
Deep East Texas	599	1,924	321%
Cameron County	1,186	3,745	316%
North Texas	332	844	254%
Panhandle	698	1,726	247%
Middle Rio Grande	650	1,518	234%
East Texas	1,206	2,664	221%
Golden Crescent	306	652	213%
Tarrant	2,256	4,732	210%
Capital Area	1,131	2,344	207%
Upper Rio Grande	2,282	2,329	202%
South East Texas	647	1,259	195%
Permian Basin	794	1,450	183%
Heart of Texas	538	958	178%
South Texas	1,070	1,819	170%
Alamo	3,901	6,460	166%
Lower Rio Grande	2,115	3,377	160%
Central Texas	710	1,109	156%
Dallas	3,921	5,446	139%
Gulf Coast	8,635	11,418	132%
Coastal Bend	1,496	1,703	114%
<b>Average of All 28 Boards</b>	<b>1,411</b>	<b>2,931</b>	<b>298 %</b>

Source: ABEST data reported by the Agency

## Recommendations

The Agency should work with the Legislative Budget Board to:

- Clarify the measure definition to include criteria for what can be counted as training under this measure.
- Review the performance target and update if necessary.

## Management's Response

*While the Agency agrees that the Boards exceeded the measure for the number of clients trained in fiscal year 2001, the Agency, however, has chosen to reduce this measure rather than increase the target due to significant reductions in the funding to achieve this measure. The reduction in funding occurred at the end of the 2001 Legislative session when \$59.9 million in CCDF was transferred to the Texas Department of Protective and Regulatory Services (TDPRS) for the 2002-03 biennium. When this action occurred, the Commission removed the previous requirement that four-percent of each Board's child care funds be expended on quality improvement activities, such as training child care providers. Many Boards, however, had already approved budgets and contracts for fiscal year 2002 with the four-percent quality expenditure requirement. Fiscal year 2003 will represent the first year that Boards have not been required to expend the four-percent and the Agency believes that the target for this measure will be achieved but not exceeded in fiscal year 2003. In fact, in the Agency's Legislative Appropriations Request for the 2004-05 biennium, the target for this measures has been dropped to 10,000, which the Agency believes that Boards can achieve by charging for clock hours, collaborating with other entities offering child care training, and through Agency-sponsored regional workshops. The Agency, however, will continue to work with the Boards to clarify the requirements of this self-report measure.*

## Auditor Follow-Up Comment

A measure that is too easily achievable is of little value to management. It also indicates, and our fieldwork supports, that Boards are not using the same criteria to determine what constitutes a "trained client." Reducing the targets, especially with inconsistent reporting by the Boards and without clarifying what is being measured, will not address the problem.



# Local Workforce Development Boards' Responses

## Responses to Chapter 1-A

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### Coastal Bend Response

*The Board disagrees with the conclusion that the estimated 1.6 Million (\$212,000 in the Coastal Bend Workforce Development Board Area) in unsupported payments is a result of a weakness in contract monitoring. The Coastal Bend Workforce Development Board has confidence in its contractor and has policy and procedures reflecting the Texas Administrative Code requirements. The Board strives for continuous improvement and has sought to strengthen the monitoring process. The Board staff has continually monitored the child care contractors on a monthly basis. Any identified issues were addressed timely and were consistent with contractor, Board, and TWC rules and regulations. Additionally, our contractor has internal procedures that include various monitoring activities by their management staff. Copies of local monitoring reports were previously provided to the Auditors during their visit to the Coastal Bend Workforce Development Area.*

### Gulf Coast Response

*We agree with the recommendation (the report had no eligibility finding concerning Gulf Coast). The Gulf Coast Board currently monitors child care services on a monthly basis and requires its contractor to review its own operations and report to the Board significant findings. We will review documents for improvement with implementation effective – November, 2002.*

### North Central Response

*We agree that care must be taken with internal controls, due to the large amount of taxpayer funds involved. It is the fundamental responsibility of all Workforce Investment Boards to monitor the prudent expenditure of all funds. Both North Central Texas board and contractor staff are committed to the practice of continuous improvement. As a Board we follow, and in turn require our contractors to follow, the monitoring practices set forth in the Texas Administrative Code, Section 800, Subchapter I. North Central Texas uses a comprehensive risk assessment method for all programs to identify areas with greater risk of error. While all programs are monitored, areas deemed to have a greater risk receive additional scrutiny. Significant on-going staff training, continuous monitoring by contractor and Board monitors, error correction and follow-up, appear to significantly minimize the size of the risk projected in this report.*

### South Texas Response

*Board monitoring team performs fiscal and programmatic monitoring on a timely basis and assures that the contractor's Quality Assurance monitor does likewise by monitoring the following areas:*

- *Child Development Specialist (CDS)*

- *Quality Improvement Activities (QIA)*
- *Financial Management Services (FMS)*
- *Client Service Workers (CSW)*

*Monthly reports are generated listing the findings and recommendations provided by the QA monitor. A report is provided to the Board staff.*

*Board ensures that contractor develops and submits a Corrective Plan of Action and implements it immediately. The Contract Manager reviews the Plan and follows up on findings by conducting a review.*

*Board staff will coordinate with contractor's QA monitor to develop a schedule to perform random case readings.*

### **Upper Rio Grande Response**

*Based on the chart provided in the draft report, Upper Rio Grande was not part of this concern. However, our local monitoring policies (both Board and contractor) include a specific review of the eligibility determination process. A copy of the required documentation to support eligibility has been sent to you under separate cover.*

### **Auditor Follow-Up Comment**

Error rates were high enough to cause us concern that there is a breakdown in monitoring efforts. We commend the Boards for their ongoing monitoring efforts and encourage them to strive for continued improvement.

## ***Responses to Chapter 1-B***

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### **Alamo Response**

*Partially Agree. The CCDS program does not have access to tax information provided to the Commissions as such we do not have the ability to verify the wages reported on the child care application against the data employers report to the Commission for tax purposes. Currently, applicants are required to furnish a copy of the last three-paycheck stubs from current employment, which are maintained in the case file.*

### **Coastal Bend Response**

*The Board has concerns that the report bases this figure on the unreported wages. The Board requires its contractor staff to verify income and has policy and procedures in place as required by Texas Workforce Commission rules and regulations. There are currently no procedures, policies or regulations that suggest or require that a comparison with the state's wage information system be completed prior to certification of services. We strongly recommend that further research and testing be completed before implementing such a requirement. The Board would be interested in any research information that has found that there is a cost benefit to this recommended activity. The Board also recognizes that such an activity would*

*have an impact on the workload for the contractor staff that could divert funds from direct child care.*

### **Gulf Coast Response**

*We agree that applicants should furnish appropriate documentation and supply current information to support their financial eligibility for child care services. We require pay stubs as documentation. However, we disagree on the need to compare applicants' income with UI wage records. Wage record data is at best two quarters (six months) old and does not reflect applicants' current income. At the time families apply for child care financial assistance – or recertify – the data in the wage records is not an accurate reflection of their financial situations.*

*We agree with the recommendation that Boards should provide guidance to contractors on the type of documentation required to verify applicant income and the Boards should hold contractors accountable for verifying applicant income by reviewing documentation during monitoring visits.*

*We are currently revising our existing guidance on how to determine eligibility for child care financial assistance (including appropriate documentation). We will include a procedure for periodic audits on a sample of applicants' to verify income. We currently review documentation supporting applicants' financial eligibility when we conduct monthly monitoring visits. We will complete revisions on financial assistance procedures by January, 2003.*

### **North Central Response**

*We agree with the State Auditor's report that underreported parent income could allow some parents to receive subsidized childcare when they are not eligible. Current regulations for reporting changes in parent income and circumstances place the burden of reporting such changes on the parent. Regulations also stipulate when contractors retroactively find such changes in the course of normal case work that services may be terminated and/or payments made in error be recouped from the parent.*

*We disagree that Unemployment Insurance (UI) wage data is a logical source for wage data at the point of initial eligibility determination. While it may appear that the use of UI wage data would provide an additional safeguard to prevent fraud and abuse, UI wage data is available only months after eligibility determination. Using UI wage data as part of the eligibility determination would delay all parents from receiving childcare, thus providing a hardship and impacting the success these parents and the programs that serve them. However, North Central Texas Workforce Board will develop policy listing UI wage data as a tool for use/verification of subsequent financial eligibility.*

### **South Texas Response**

*Commission wage information is not readily available to the contractor. Commission information is behind approximately two quarters. Commission needs to provide clarification on the issue pertaining to contractor being able to access to wage information.*

*Board will ensure that contractor will file all copies of paycheck stubs in the client's case file.*

*Board will provide contractor with a checklist of types of documentation required to verify applicant income. Checklist will be part of the file review to be completed by QA monitor when reviewing files.*

*Board will ensure that local operating procedures include more concise requirements that will serve as backup documentation when establishing income eligibility.*

### **Upper Rio Grande Response**

*58 of 164 (35%) cases reflected wage tax data higher than that of the reported and verified income. The table indicates the 11.11% of Upper Rio Grande's client wages may have been underreported. We do not know whether this 11% is of the 58 files or 11% of all of Upper Rio Grande's client files.*

*Upper Rio's contractors verify eligibility by reviewing client check stubs and or wage verification provided by the employer. We will deliberate on the feasibility to do quarterly reviews of wage data information, if the variance is significant enough to warrant such a practice.*

### **Auditor Follow-Up Comment**

Boards have the ability to establish their own policies and procedures to minimize risk associated with program administration. A proactive Board would seek to validate claimed income and thus minimize the risk of providing services to ineligible clients. The point is not to use wage data to qualify a client to receive services, but to use it after the fact to verify that a client's claimed income bears some resemblance to earnings reported to the Agency by the employer. If there is a discrepancy and the client is still receiving services, that client should be closely scrutinized. In cases of gross underreporting, a fraud investigation should be initiated. We acknowledged in the report that wage data is not readily available to Boards and contractors. We also noted that in only a few hours, we assembled social security numbers on our samples from all six Boards and forwarded the information to the Agency to look up. This required a minimal effort on our part; accordingly, contractors should be able to periodically use this data source to help minimize the risk of fraud and abuse of program funds.

## **Responses to Chapter 1-C**

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### **Alamo Response**

*Partially Agree. The monitoring plan for self-arranged child care (SACC) states that on-site monitoring will be implemented for SACC providers on a scheduled and unscheduled basis. Each Child Care Provider Specialist (CCPS) is required to conduct two SACC visits monthly and document the visit on the Self Arranged Provider Visit form. Initially, all new providers will be visited during the first 30 days on-site. With a SACC provider level of approximately 1,200 individuals, the annual number of on-site visits conducted represents a review of 25% of all SACC*

providers. Current resources do not allow for the recommended level of 100% monitoring of SACC providers on an annual basis. We feel that the current level of monitoring is adequate.

### **Coastal Bend Response**

Again, there is no policy, procedure, or regulation that requires or recommends the activities outlined in this report. As was stated in the report, there are legal issues that surround self-arranged care. These providers are exempt from the state's Department of Protective and Regulatory Services registration and licensing laws. The Board agrees that the entire process could be strengthened, but the Board does not currently have any contractual or legal relationships with self-arranged providers. However, through a contract with the provider of provider management services, the Board does conduct 30 visits to self-arranged providers each quarter. The purpose of these visits is to share information and identify issues related to child care services. Each visit is documented and reported to the Board within ten calendar days following each quarter.

In our area self-arranged care is approximately 79% of the total number of providers who are serving our families. The recommendations, if enacted, will have a financial impact and will divert funds from direct child care services thus further limiting the Board's ability to provide services.

### **Gulf Coast Response**

We agree that our contractor(s) should monitor relative self-arranged care providers by assessing which are potentially high-risk and focusing reviews on this group. We are considering requiring that all relative self-arranged care providers in our network undergo a criminal history background check through the Texas Department of Protective and Regulatory Services and that each provider then agrees to become listed with TDPRS

### **North Central Response**

We agree that self-arranged provider care provides an opportunity for potential abuse of program requirements. Access to relative care and parent choice, even though the choice may not meet minimum standards for licensed providers, is a right guaranteed to parent's in the federal legislation (45 CFR Part 98:30) and the Texas Administrative Code, Section 809.71

Unfortunately, the NCTWDB has no authority to monitor self-arranged child care with relatives in the manner outlined in this report. Texas Administrative Code 809.61 and 62 limits the Board's responsibility with regard to self-arranged relative care to the following:

- Ascertaining the relationship of the parent selected caretaker to the child which, unless there is an appearance of questionable relationship, is verified through a signed self-declaration and
- Paying the provider after a declaration of services with uniform, regulated content is received.

*Although we believe that our monitoring activities are limited by current legislation, in the newly negotiated contract we have mandated our child care contractor to require all parents using self-arranged relative care to attend an orientation session and to bring with them, if possible, the relative who will be providing care.*

### **South Texas Response**

*Implement procedures and directives so that the contractor can monitor SACC providers.*

### **Upper Rio Grande Response**

*The Upper Rio Grande's child care contractor, conducts verification of self-arranged child care (SACC) providers on an average of 50 per month. The Self-Arranged Verification Process is provided under separate cover. We will review the operational requirements of the recommended action and implement a procedure to ensure compliance.*

### **Auditor Follow-Up Comment**

Boards have the ability to establish policies and procedures to minimize risk associated with program administration. A proactive approach to their monitoring activities would help to ensure that limited program dollars are spent as intended. Good business and basic contract monitoring practices should be in place to protect the \$21 million in payments made to self-arranged care providers by the six Boards audited. Boards should insist that the Agency provide them with sufficient guidance to adequately monitor these expenditures, tailor a procedure that fits the Board, and then take steps to immediately implement a formal monitoring plan.

## **Responses to Chapter 1-D**

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### **Coastal Bend Response**

*The Board has concerns with the recommendation to establish time periods for a child to be counted present as a basis for reimbursement for child care. Texas Workforce Commission and Boards place participation requirements upon any families who are receiving child care services. We do not believe that there is enough documentation to support the scenario given in the report to make such a recommendation. It is our expectation and experience that the contractor ensures that all families are meeting the participation requirements of their program. It is also our experience that the contracted child care providers are actively reporting to the contractor if a participant does not appear to be complying with the requirements. The Board strives to provide quality child care services to the parents by ever increasing the quality of our child care contracted providers. If the recommendation were implemented, we would anticipate that there would be a decrease in the number of child care contracted providers thus increasing the number of self-arranged child care providers. Additionally, child care providers are employers. Establishing a time requirement would have a financial impact on their ability to operate their business in compliance with Texas licensing laws and in providing quality child care services.*

## North Central Response

*While we understand the SAO position, we do not agree that a daily minimum time for attendance should be established. In order to receive child care a parent must establish a need for care. This includes specifying hours of class attendance or work hours. This Board provides for suspension of child care during long scheduled vacations for students. If a provider reports to the contractor that a parent is routinely accessing care for less time than allotted on the Form 2450, current regulations and procedures are sufficient to re-determine the parent's need for child care.*

## Auditor Follow-Up Comment

A policy would require providers to report clients who are not using services paid for with tax dollars, not leave it up to their discretion whether to report those clients. Having no policy could prevent the children currently on waiting lists from accessing the program. The concern raised by providers appears significant enough to warrant further investigation by the Boards.

## Responses to Chapter 2

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### Coastal Bend Response

*The Board agrees with the State Auditor's Office finding that child care automated system passwords are not set by users. Prior to the transition of the Board's computer system from a NT server to SQL 2000 on October 1, 2001, the system users were authorized to set their own passwords. However, during the system transition, the Board elected to allow the administrator to set the passwords to allow employees immediate access to the system and avoid further downtime of the system. However, the Board did not revert to the prior procedure of allowing users to set their own passwords. Consequently, for the period extending from October 2001 to the present, the Board's procedures have not provided proper access controls for users.*

*Board staff will initiate the development of procedures that will allow users to set their own password.*

*The Board agrees with the State Auditors finding that some employees have more access rights than are required by their job duties. The assignment of access rights to an a Board employee supervising the Child Care Data Entry Technicians was intended to ensure the System Administrator had adequate back-up for access to the child care system. During this period of time, the Child Care Supervisor has only accessed the child care automated system in the absence of the System Administrator one time during the last nine months. This access was necessary to allow a transfer child care funds from one fund code to another as a part of required funds management.*

*The Board will immediately initiated plans to centralize all access rights in the Information Management Department.*

## **Gulf Coast Response**

*“Physical Controls: Backup tapes should be stored in secured areas in fireproof containers away from the server room.”*

*We agree with the recommendation. As H-GAC [Houston-Galveston Area Council] is transferring the file server for child care to our site, we will adhere to H-GAC’s procedure for storing back up tapes. We currently store back up tapes off site on a weekly basis.*

*“Backup procedures should be in writing and monitored for compliance.”*

*H-GAC back up procedures are in writing and available for monitoring. We will ensure that the contractors have such procedures in place as well.*

*Implementation of transfer of server to H-GAC will be by 01/2003. H-GAC procedures will be used to store information as listed above. Implementing change at contractor site by 11/02.*

### Access and application controls

*We agree with the recommendation that full access rights should be periodically evaluated and monitored to ensure that only authorized personnel who need full access have that access. When a person’s job duty changes, access rights should be reassessed and changed accordingly. We will ensure that the contractor reviews employee access rights and makes the necessary changes when warranted. Review contractor procedures and enact any necessary changes by 10/30/02.*

## **North Central Response**

*We agree that as with all electronic systems, data in the child care delivery system must be safeguarded. North Central Texas Workforce previously addressed the issue of appropriate access. All areas of the child care data system were brought under Board control beginning September 1, 2002. Appropriate policies and procedures are being implemented to address system security.*

## **South Texas Response**

*Contractor is currently working on recommendations to have backup tapes stored in secured areas in fireproof containers away from the server room and have system users set their own passwords and keep them private.*

*Contractor’s MIS specialist has developed a security procedure.*

## **Upper Rio Grande Response**

*With regard to the issue of “back up tapes not stored properly”, this was identified during the review process and corrected immediately. A copy of the Board’s Policy “Backup, Monitoring and Maintenance Procedures” (provided to you under separate cover) was provided to the Child Care Contractor for immediate implementation. Board policy includes weekly backups and monthly storage of tapes at an offsite Bank safety deposit box. Further action taken includes relocating the Child Care application server to the Board Information Systems office effective*



October of 2002. With regard to procedures for passwords, we've provide you a copy of the CCS contractor's Automation Agreement which has been in place since 6/2001 and was reviewed during a Board conducted monitoring in June 2002.

## **Responses to Chapter 3**

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### **Alamo Response**

*Policies and Procedures are in place to ensure all individuals referred for child care from the Texas Workforce Center, TDPRS, or self-referred (income eligible) are eligible. AWD has beefed up our program monitoring to monthly samples to identify those case files lacking the appropriate eligibility documentation.*

### **Coastal Bend Response**

*The Board does agree with the recommendation that the Texas Workforce Commission and the Legislative Budget Board revise the three performance measures. There has been discussion between the Boards and TWC regarding the methodology of calculating and assigning measures. We encourage TWC and LBB to work with Boards in the revision of the measures.*

### **North Central Response**

*As a results oriented board, North Central Texas Workforce Board continuously reviews performance measures and the subsequent results. We would be pleased to work with the Texas Workforce Commission in developing measures appropriate for maximum performance.*

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### **Objectives**

The objectives of this audit were to determine whether the procedures used to award and monitor contracts for the Child Care Program reasonably ensure that:

- Contractors provide agreed-upon services at reasonable prices.
- Funds are spent in accordance with state and federal requirements.

The audit also included a limited review of automated systems that support the Child Care Program at the local Boards and their child care contractors.

### **Scope**

The scope of the audit included the following:

- We reviewed contract award and monitoring activities at the Agency's Austin headquarters, selected Local Workforce Development Boards (Boards), and the Boards' child care contractors. We selected the following Boards, which collectively received 48 percent of the total child care funding for fiscal year 2001:
  - ♦ Alamo Workforce Development Board
  - ♦ Coastal Bend Workforce Development Board
  - ♦ Gulf Coast Workforce Development Board
  - ♦ North Central Workforce Development Board
  - ♦ South Texas Workforce Development Board
  - ♦ Upper Rio Grande Workforce Development Board
- We reviewed contracts between the Agency and the Boards and between the Boards and their child care contractors to determine whether they followed the basic requirements outlined in Government Code 2206 and elements of contracting best practices.
- We performed a limited review of the Boards' procurement processes for child care contractors.
- We performed a contract monitoring review that included case file testing of a statistical sample at each Board's child care contractor's office to determine the following:
  - ♦ Eligibility of the recipients of services based on a review of the supporting documentation

- ♦ Whether payments to providers of child care services were accurate and made at the agreed-upon rates
- We reviewed the information reported for three child care performance measures on which the Boards are required to report monthly to the Agency. We audited two of these measures for accuracy and assessed the third measure's usefulness in managing the Child Care Program.
- We performed a limited review of physical, access, and application controls over automated systems located at the child care contractors' offices and used to process payment requests to the Agency for child care services.

## Methodology

### Sources used as criteria :

- Texas Administrative Code, Title 40, Chapters 800 and 809
- Government Code, Chapter 2259
- Code of Federal Regulations, Title 45, Part 98
- State of Texas, Child Care and Development Fund Plan for the 2001–2002 biennium and the 2002–2003 biennium
- Contracts between the Agency and the Boards, between the Boards and the contractors, and between the contractors and the providers
- Procedures and operating manuals used by the Agency, Boards, and child care contractors
- Material from “Contract/Grant Administration,” a state-provided training course
- Procedures used to gather general information:
  - ♦ Reviewed Agency, Board, and contractor financial data and relevant reports and documentation
  - ♦ Interviewed Agency, Board, and contractor management
  - ♦ Interviewed child care interest and advocacy groups to identify concerns and potential issues
  - ♦ Maintained contact with the Sunset Advisory Commission during its review of the Agency relative to Child Care Program issues
  - ♦ Reviewed Agency and Board performance data
  - ♦ Reviewed the Agency's monitoring division's findings and working papers on Boards for child care deficiencies
  - ♦ Judgmentally selected child care providers to visit

- ♦ Judgmentally selected relative self-arranged care provider addresses to drive by and verify that an address actually existed

#### Selection of Boards:

Developed a risk analysis to select Boards based on funding amounts, expenditures and balances, geographical location, previous audit findings, and percentage of self-arranged care expenditures to total expenditures

#### Contract Monitoring:

- Performed statistical testing to determine whether clients receiving services were eligible, whether payments were adequately documented and accurate, and whether data in the Child Care Service Delivery System was reliable
- Designed a statistical sample to project testing results to the population of records at each Board visited using a 90 percent confidence level with a 10 percent margin of error
- Reviewed monitoring reports at Board and contractor offices
- Compared income information in client files to employer-reported wages during the fourth quarter of calendar year 2001

#### Child Care Performance Measures:

- Reviewed measure definitions to determine whether the Agency followed the definitions for two of the measures
- Recalculated summary data to determine whether the results were within 5 percent of the reported measure
- Performed statistical testing to determine whether the data used to calculate the measure was accurate and reliable

#### Information Systems:

- Interviewed information system administrators
- Reviewed automated systems used to process provider payment information that is uploaded to the Agency's Budget and Payment Application. Our review included assessing controls by using internal control questionnaires for physical security, access controls, and application controls.

### **Other Information**

We conducted fieldwork from April 2002 through June 2002. The case and provider files we tested covered the period from September 2001 to January 2002. This audit was conducted in accordance with generally accepted government auditing standards.

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

- Lucien Hughes (Project Manager)
- Michael Dean, MPAff (Assistant Project Manager)
- Rodney Almaraz, MBA, CPA, CISA
- Joe Fralin, MBA
- Bill Hurley, CPA
- Jennifer Lehman
- Ray Ruiz
- Becky Tatarski
- Leslie Ashton, CPA (Quality Control Reviewer)
- Sandra Vice, MPAff (Audit Manager)
- Frank Vito, CPA (Audit Director)

## **Funding Allocations and Expenditures at the 28 Boards for Fiscal Year 2001**

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According to the Agency's financial data, an average of 82 percent of the expenditures for all 28 Boards were for direct child care (see Table 7 on the next page). We did not audit all of the Boards; however, we reviewed a judgmental sample of administrative expenditures at the six Boards we visited for reasonableness. We also looked for supporting documentation for selected administrative expenditures. There were no significant findings related to these tests. The scope of our audit did not include an audit of funding sources or administrative expenditures.

Direct child care expenditures are the payments to providers for services to eligible clients. The Code of Federal Regulations, Title 45, Part 98, Section 98.50(e), Child Care Services, states that:

Not less than 70 percent of the Mandatory and Matching Funds shall be used to meet the child care needs of families who:

- (1) Are receiving assistance under a State program under Part A of title IV of the Social Security Act,
- (2) Are attempting through work activities to transition off such assistance program, and
- (3) Are at risk of becoming dependent on such assistance program.

Table 7

Comparison of Boards' Direct Expenditures to Total Expenditures					
Local Workforce Development Boards	Total Funding Allocation	Total Expenditures	Direct Child Care Expenditures (Paid to Providers)	Percentage Direct Expenditures to Total Expenditures	
01	Panhandle	\$ 7,097,877	\$ 6,816,794	\$ 5,481,660	80.41%
02	South Plains	\$ 7,719,687	\$ 7,357,521	\$ 5,794,311	78.75%
03	North Texas	\$ 3,685,563	\$ 3,245,613	\$ 2,522,637	77.72%
04	North Central	\$ 18,816,908	\$ 17,395,937	\$ 13,682,025	78.65%
05	Tarrant County	\$ 22,718,208	\$ 22,434,189	\$ 17,858,530	79.60%
06	Dallas	\$ 38,650,125	\$ 37,158,231	\$ 31,058,997	83.59%
07	North East	\$ 4,615,240	\$ 4,410,579	\$ 3,199,383	72.54%
08	East Texas	\$ 12,011,055	\$ 11,040,173	\$ 8,672,415	78.55%
09	West Central	\$ 5,744,748	\$ 5,489,821	\$ 4,410,177	80.33%
10	Upper Rio Grande	\$ 22,407,014	\$ 19,818,861	\$ 16,814,151	84.84%
11	Permian Basin	\$ 7,943,068	\$ 7,369,775	\$ 5,902,577	80.09%
12	Concho Valley	\$ 2,716,238	\$ 2,612,622	\$ 1,803,312	69.02%
13	Heart of Texas	\$ 6,171,293	\$ 4,908,031	\$ 3,548,010	72.29%
14	Capital Area	\$ 13,326,349	\$ 11,134,373	\$ 9,056,390	81.34%
15	Rural Capital	\$ 7,517,135	\$ 6,901,887	\$ 5,317,758	77.05%
16	Brazos Valley	\$ 4,150,799	\$ 3,694,687	\$ 2,847,020	77.06%
17	Deep East Texas	\$ 5,916,949	\$ 5,488,630	\$ 4,219,682	76.88%
18	South East Texas	\$ 6,561,812	\$ 6,235,889	\$ 4,999,004	80.17%
19	Golden Crescent	\$ 3,311,622	\$ 3,160,527	\$ 2,507,174	79.33%
20	Alamo	\$ 42,462,841	\$ 35,510,258	\$ 28,268,142	79.61%
21	South Texas	\$ 10,629,880	\$ 10,233,349	\$ 8,412,671	82.21%
22	Coastal Bend	\$ 14,359,889	\$ 12,438,335	\$ 9,956,078	80.04%
23	Lower Rio Grande	\$ 20,710,294	\$ 18,222,079	\$ 15,146,958	83.12%
24	Cameron County	\$ 11,788,186	\$ 11,201,106	\$ 8,731,044	77.95%
25	Texoma	\$ 2,645,274	\$ 2,325,765	\$ 1,700,462	73.11%
26	Central Texas	\$ 7,351,911	\$ 7,059,939	\$ 5,485,472	77.70%
27	Middle Rio Grande	\$ 6,303,624	\$ 6,123,106	\$ 4,984,489	81.40%
28	Gulf Coast	\$ 84,933,688	\$ 80,714,314	\$ 70,181,602	86.95%
<b>Sub-Totals</b>		<b>\$ 402,267,275</b>	<b>\$ 370,502,391</b>	<b>\$ 302,562,130</b>	<b>81.66%</b>
<b>TWC State Level Costs</b>		<b>\$ 9,600,000</b>	<b>\$ 8,272,267</b>	<b>—</b>	
<b>Totals</b>		<b>\$ 411,867,275</b>	<b>\$ 378,774,658</b>	<b>\$ 302,562,130</b>	<b>79.88%</b>

Source: Texas Workforce Commission's Finance Division (Includes all expenditures through February 28, 2002. Does not include budget year 2000 unspent balances.)

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The Honorable Robert Junell, House Appropriations Committee

The Honorable Rene O. Oliveira, House Ways and Means Committee

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The Honorable Rick Perry, Governor

### **Texas Workforce Commission**

Ms. Diane D. Rath, Chair

Mr. Ron Lehman, Commissioner

Mr. T. P. O'Mahoney, Commissioner

Ms. Cassie Carlson Reed, Executive Director

### **The Executive Director and Board Chair of Each Local Workforce Development Board Included in this Audit**





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