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Audit Overview

Overall Conclusion

The Texas Health and Human Services (HHS) Child Care Regulation program area generally processed permit renewals in accordance with selected rules, statutes, and requirements.

However, Child Care Regulation did not consistently comply with some requirements for following up on deficiencies¹ cited during a facility inspection. Specifically, Child Care Regulation did not always follow up on cited deficiencies in the required timeframes or provide complete follow-up narratives.

Objective

The audit objective was to determine whether HHS processed permit renewals and reviewed child day care operations in accordance with selected rules, statutes, and requirements.

Scope

The audit scope covered the period from September 1, 2021, through August 31, 2023.

Key Audit Results

Child Care Regulation complied with the selected child day care operation permit renewal requirements in all 90 samples tested. Specifically, Child Care Regulation (a) reviewed the operations' history for frequent or repeated violations, (b) verified there were no outstanding deficiencies at the time of permit renewal, (c) completed required facility inspections prior to permit renewal, and (d) ensured supervisors approved the assessment of deficiencies, when necessary.

For facility inspection deficiency follow-ups, Child Care Regulation documented a compliance correction date for all 180 deficiencies samples tested. However, Child Care Regulation did not always:

- Follow up on cited deficiencies within the required timeframe.
- Describe how the deficiency was corrected.

¹ A deficiency is any failure to comply with a minimum standard, rule, statute, specific term of a permit, or condition of probation. 26 Tex. Admin. Code § 745.21(14) (Apr. 25, 2021).

OIG Audit offered recommendations to Child Care Regulation, which, if implemented, will help improve compliance with applicable requirements.

OIG Audit communicated other, less significant issues to Child Care Regulation in a separate written communication.

OIG Audit presented preliminary audit results, issues, and recommendations to Child Care Regulation in a draft report dated June 6, 2024. Child Care Regulation agreed with the audit recommendations and indicated it would implement most corrective actions by October 1, 2024, with system enhancements being completed by September 1, 2026. Child Care Regulation’s management responses are included in the report following each recommendation.

OIG Audit thanks management and staff at Child Care Regulation for their cooperation and assistance during this audit.

Key Program Data




Child Care Regulation is the HHS program area that oversees center-based and home-based child day care operations in Texas that provide care for children 13 years or younger for less than 24 hours a day. The three child day care operation permit types reviewed for this audit were licensed centers, licensed homes, and registered homes.

What Prompted This Audit

OIG initiated this audit in response to recent updates to the Human Resources Code addressing additional oversight requirements in child care centers and homes.

Figure 1 illustrates the distinctions among the permit types of child day care operations reviewed.

Figure 1: Characteristics of Audited Child Day Care Operation Permit Types

	Licensed Center 	Licensed Home 	Registered Home 
Location	Not the permit holder's home	Permit holder's own home	Permit holder's own home
Attendance	7 or more children	Varies by age, maximum 12 children	<ul style="list-style-type: none"> Up to 6 children ages 0–13 Plus up to 6 elementary age after-school hours
Age Limit	13	13	13
Hours	Less than 24 hours/day	Less than 24 hours/day	Less than 24 hours/day
Days	At least 3 days/week	At least 3 days/week	At least 3 days/week

Source: OIG Audit

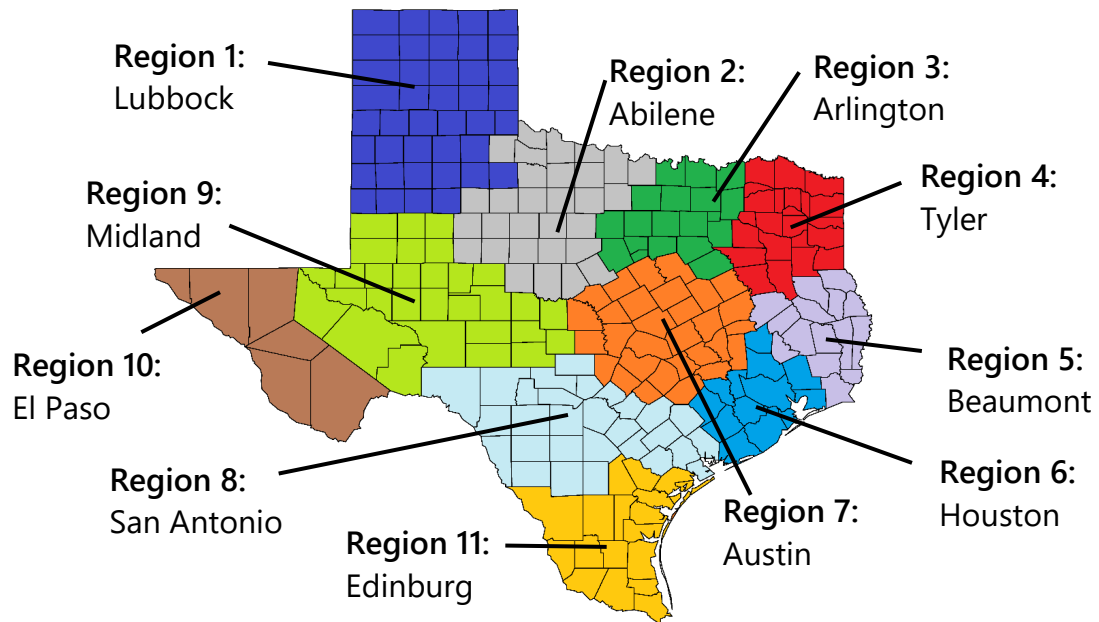
Appendix B: Program at a Glance

HHS Regulatory Services oversees the Child Care Regulation program area, which includes child day care.

Child day care operations are center-based and home-based operations that provide care for children 13 years or younger for less than 24 hours a day.

In 2023, Child Care Regulation permitted 22,745 child day care operations across 11 Texas regions: Lubbock, Abilene, Arlington, Tyler, Beaumont, Houston, Austin, San Antonio, Midland, El Paso, and Edinburg as seen in Figure B.1.

Figure B.1: Child Care Regulation Regional Operational Map



Source: HHS, "Child Day Care Licensing (DCL) Data Book", [Workbook: Child Care Regulation Data Book \(texas.gov\)](#), (accessed Jan. 31, 2024)

Appendix C: Detailed Methodology

OIG Audit issued an engagement letter to Child Care Regulation on January 2, 2024, providing information about the upcoming audit, and conducted fieldwork from January 31, 2024, through April 16, 2024.

OIG Audit also reviewed Child Care Regulation's system of internal controls, including components of internal control,¹⁰ within the context of the audit objectives by:

- Interviewing Child Care Regulation's staff with oversight responsibilities for licensing, inspections, and investigations into day care operations.
- Reviewing relevant documentation, such as policies and procedures.
- Performing selected tests of the relevant documentation.

Data Reliability

OIG Audit assessed the reliability of data provided by Child Care Regulation by analyzing the deficiency and permit renewal data and interviewing relevant Child Care Regulation personnel knowledgeable about CLASS and the data stored in the application. OIG Audit determined that the data was sufficiently reliable for the purposes of this audit.

Testing Methodology

OIG Audit collected information for this audit through discussions, interviews, and electronic communications with Child Care Regulation management and staff.

¹⁰ For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (accessed Apr. 16, 2021).

OIG Audit reviewed:

- Supporting documentation for three child care permit types: licensed child care centers, licensed child care homes, and registered child care homes.
- Relevant Child Care Regulation policies and procedures, including the Child Care Regulation Handbook.
- Relevant IT general controls associated with the systems used by Child Care Regulation to support processed permit renewals and cited deficiencies samples.

For this audit, OIG Audit used sample populations of permit renewals processed and deficiencies cited for three permit types (licensed centers, licensed homes, and registered homes) with facility inspection verification dates ranging from September 1, 2021, through August 31, 2023.

Sampling Methodology

For each permit type, OIG Audit selected a nonstatistical random sample of 30 permit renewals with no stratification, and a risk-based nonstatistical sample of 60 deficiencies, stratified by weight. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project test results to the population.

Auditors chose this sample to ensure that the sample included items with specific characteristics, such as deficiency weight.

Appendix E: Report Team and Distribution

Report Team

OIG staff members who contributed to this audit report include:

- Anton Dutchover, CPA, Deputy Inspector General of Audit and Inspections
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- Femi Nightingale, CISA, Senior Auditor
- Kimberly Lee, Senior Auditor
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Report Distribution

Texas Health and Human Services Commission

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- Maurice McCreary, Jr., Chief Operating Officer
- Jordan Dixon, Chief Policy and Regulatory Officer
- Karen Ray, Chief Counsel
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HHSC Child Care Regulation

- Rachel Ashworth-Mazerolle, Associate Commissioner Regional Operations
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- Rachelle Daniel, Director of Day Care Operations
- Audrey Young, Strategic Operations Director

Appendix F: OIG Mission, Leadership, and Contact Information

The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

- Raymond Charles Winter, Inspector General
- Susan Biles, Principal Deputy Inspector General
- Kacy J. VerColen, Chief of Audit and Inspections
- Eugenia Krieg, Chief of Staff, Chief of Policy and Performance
- Erik Cary, Chief Counsel
- Diane Salisbury, Chief of Data Reviews
- Matt Chaplin, Chief of Operations
- Steve Johnson, Chief of Investigations and Utilization Reviews

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- Phone: 1-800-436-6184

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