



Department of Human Services: Child Care Subsidy



**Report # 26-830
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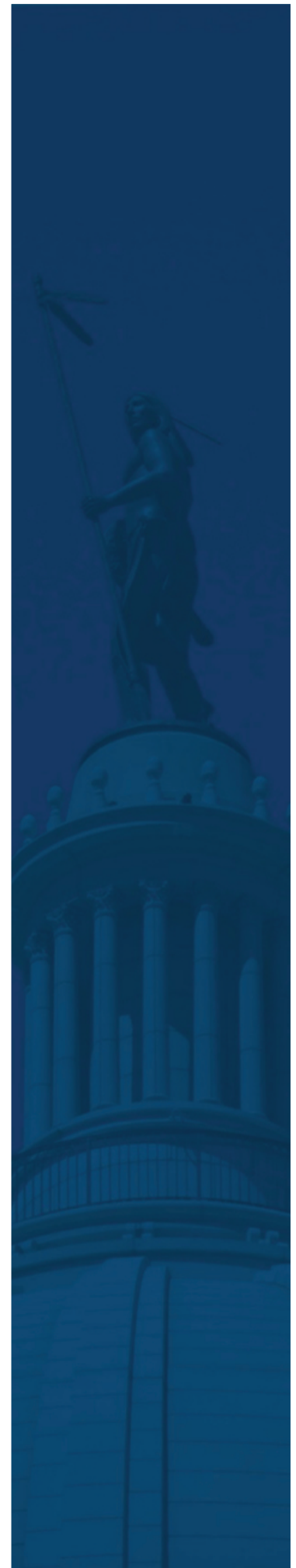
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Key Evaluation Objectives:

- ▶ Evaluate DHS' processes for verifying that child care subsidy funds are properly used.
- ▶ Identify risks for fraud or abuse within DHS' existing processes.
- ▶ Identify best practices or opportunities to mitigate risks for fraud and abuse.

Executive Summary

States receive Child Care Subsidy funds from the federal government to help make child care affordable for low-income families who are either working or participating in job training or educational attainment. Federal funds provide most of the funding for the subsidy, but states are required to contribute a set share of funding. For FY25, Oklahoma received \$204.1 million in federal funds and contributed \$24.7 million in state funds.

In January 2026 – amid widespread allegations of fraud and misuse of Child Care Subsidy funds and other federal assistance programs – the federal government froze funding to five states. Among that group of states was Minnesota, which garnered national attention for suspected fraud in its Child Care Assistance Program (CCAP). By June 2026, the Minnesota House of Representatives had released two investigative reports documenting more than a decade of internal concerns that large-scale fraud was occurring in the CCAP and other assistance programs. In July 2026, the owner of a Minnesota daycare center pled guilty to two fraud charges, including fraudulently obtaining \$4.6 million in funds from the CCAP over a three-year period.

Seeking to assess the potential risks for fraud and abuse within Oklahoma's CCAP, the Legislative Office of Fiscal Transparency (LOFT) evaluated the processes used by the Department of Human Services (OKDHS) to ensure the proper use of the funds, including that only eligible families and child care providers benefit from the funds. Additionally, LOFT identified opportunities to strengthen processes to better guard against abuse or improper payments.

This evaluation resulted in two key findings:

Finding 1: Oklahoma's Child Care Subsidy Program is Unlikely to Experience Large-Scale Coordinated Fraud, but Other Risks for Fraud and Abuse of the Program Remain

LOFT's review of investigative reports of Minnesota's CCAP between 2019 and 2026 identified the following risk areas:

- Divided administrative authority
- Low barriers for provider enrollment
- Payments based on attestations of attendance instead of documentation
- Failure to act when risks or fraud are identified

LOFT compared Minnesota's processes for administering the CCAP to Oklahoma's to assess whether Oklahoma was at risk for the type of abuse alleged in Minnesota and determined that, based on the structural differences between the two states' programs, it would be unlikely for Oklahoma to experience the type and scope of fraud alleged to have occurred in Minnesota.

The CCAP funds support two parties: the families, for whom the cost of childcare is made more affordable, and the child care providers, who are the direct recipients of the subsidies. Therefore, LOFT examined OKDHS' process for verifying the families and the providers, identifying any associated risks for fraud and abuse with each.

To ensure program integrity and protect taxpayer funds, a subsidy program must have clear administrative oversight, processes for verifying eligibility, and accountability. A key difference between the two states is that Minnesota divides administrative authority for the program among the State and local government agencies, which may also subcontract to community-based organizations, while Oklahoma centralizes its authority for approval and payments under OKDHS.

Minnesota was found to have enrolled providers without documenting operational capacity or conducting an in-person visit to the child care facility, enabling "phantom" operations where providers receiving the child care subsidy payments were later observed as neither having children present nor the required amenities. Comparatively, Oklahoma providers that seek to receive the subsidy must be an established, licensed facility that meets a minimum quality level. Oklahoma providers initially operate under a permit, during which time they are placed on a 6-month monitoring period that includes bi-monthly, unannounced visits from OKDHS. After the monitoring period, OKDHS conducts one unannounced visit annually. OKDHS' policy to conduct unannounced, in-person visits greatly reduces the likelihood that Oklahoma providers are not operating a legitimate child care facility. However, a review of OKDHS' processes revealed other risks for fraud and abuse, including:

Attendance Verification: OKDHS uses an attendance-based system designed to ensure that State payments for the child care subsidy comply with the plan submitted to the federal government, but the integrity of the payments is dependent on proper record keeping. Risks identified by LOFT include the current phone-based attendance app enabling parents to record a child as being checked in to a facility when they are not actually there or enabling a provider to request that a parent digitally check children in before they arrive, compromising the attendance data that is used to determine provider payments. Additionally, parents and providers have a 10-day window to manually correct attendance records, providing an opportunity for manipulation.

Verifying Family Eligibility: The risks on the family side of the program primarily relate to fraudulently obtaining the child care benefit through falsifying income or misrepresenting the household. Families receiving the subsidy do not directly receive any funds; instead, the subsidy is paid to the child care provider. LOFT observed OKDHS workers only partially completing the agency's prescribed verification tasks when assessing a family's eligibility for the benefit.

Unpaid Provider Copayments: Both federal regulations and OKDHS' policies require families to pay a share of the child care costs in what is known as a copayment. However, LOFT's survey of child care providers found unpaid copayments to be a common issue. The agreement signed by families to receive the subsidy includes the obligation to pay the family copayment, but OKDHS does not confirm the copayments are being made. The financial gap presents a risk as providers may seek to recoup the losses through other means, such as agreements with the family to alter attendance records or submitting incorrect information to OKDHS.

57,746

children received child care services under DHS' child care subsidy program in FY25

*from***2,016**

licensed and contracted child care centers and homes

Finding 2: Efforts to Prevent and Detect Fraud within the Child Care Assistance Program are Compartmentalized, and When Fraud is Found, DHS is Reluctant to Criminally Pursue

LOFT examined how OKDHS detects and treats suspected fraud and found the agency inconsistent in its decisions to label an action as criminal fraud, potentially allowing fraud and waste to occur at levels much higher than reported. OKDHS uses strong language in its documents, including calling actions “intentional” and labeling things as “fraud.” Additionally, documents show that most clients admit to wrongdoing. Despite often having an admission of guilt and documentation, OKDHS does not submit the majority of cases for criminal fraud prosecution. **OKDHS’ preference for handling cases administratively instead of through prosecution may not be a sufficient deterrent to would-be fraudsters, as often the cost of being caught is only repayment.**

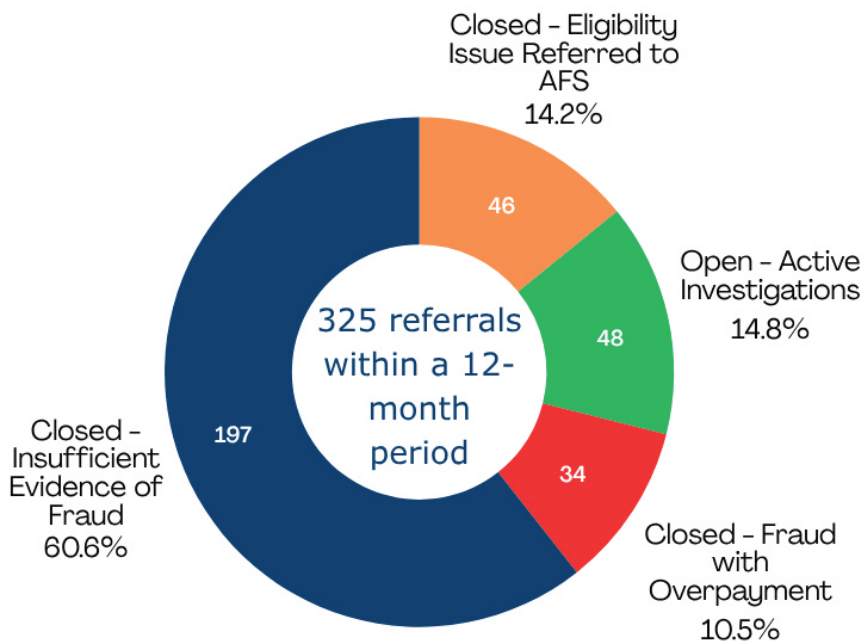
Child Care Subsidy Clients

325 referrals
\$551,249 in overpayments
76 cases
9 of which were referred for criminal prosecution

Child Care Providers

36 investigative audits
\$25,392 in overpayments
0 referred for criminal prosecution

OKDHS Action on Referrals



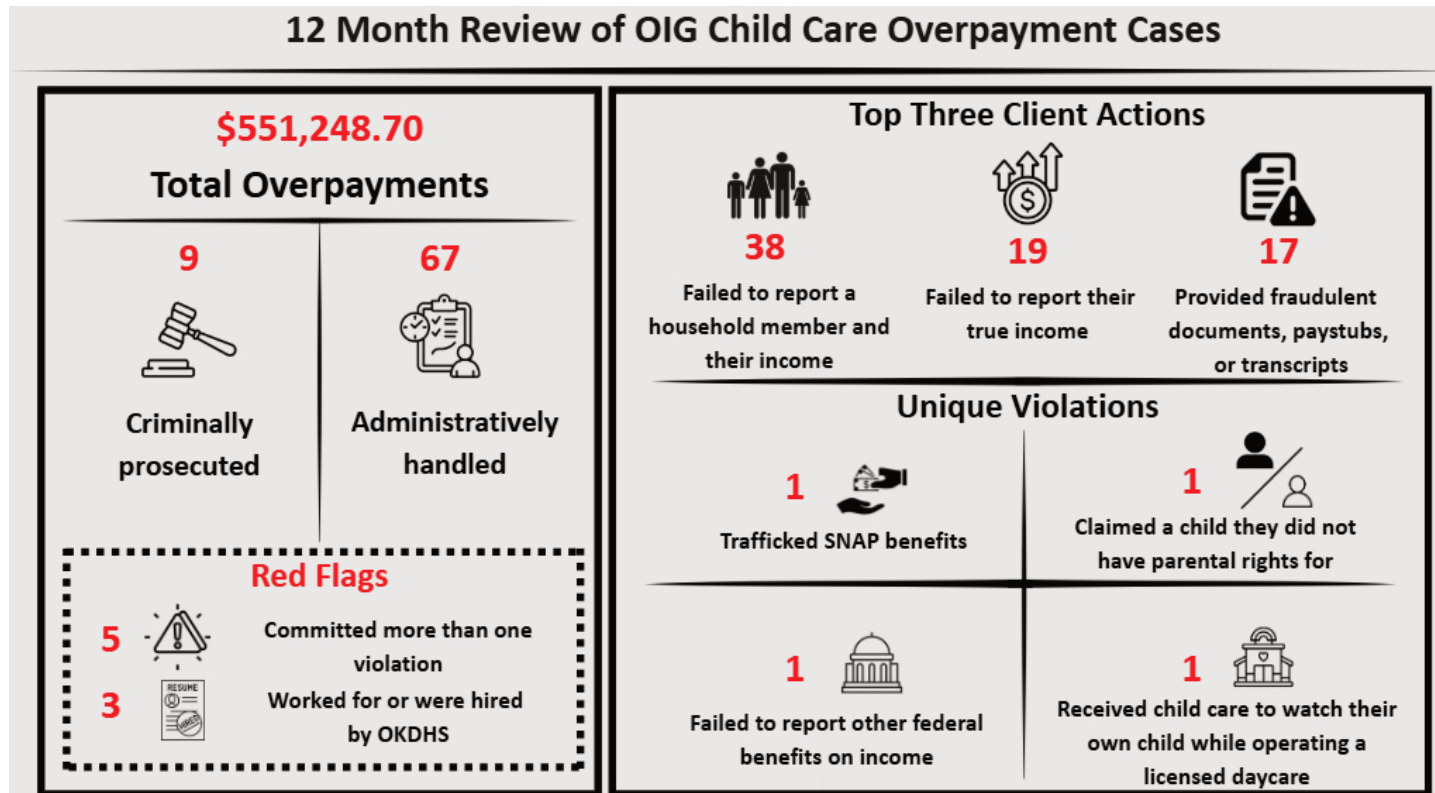
Federal regulations require the Lead Agency (OKDHS) to identify fraud, investigate and recover fraudulent payments, and impose sanctions on clients or providers. The Lead Agency is also required to prevent improper payments, which include any instance where a client or provider receive more benefits than entitled to, whether due to fraud or error. The entity responsible for pursuing fraud and overpayments is the Office of the Inspector General (OIG), which is a department within OKDHS. The OIG receives what the agency calls “referrals” to investigate; the suspected occurrence of fraud can come from the public, OKDHS staff that works with either the client or the provider, or OIG

personnel. The referral is investigated by OIG and, if it is determined that funds should not have been paid, OKDHS is required to recover the improper payments. The State Plan that OKDHS submits to the federal government also states that overpayments due to fraud are referred to the courts for prosecution, but LOFT found this is rarely the case, even when the amount of fraud exceeds the threshold for a felony offense. Further, OKDHS does not have a disqualification period for those found to have abused the program, allowing both clients and providers to reapply for the benefit at any time.

Throughout this evaluation, LOFT identified opportunities for OKDHS to strengthen its ability to both prevent and detect fraud, which should begin with the agency incorporating fraud awareness and detection training across all of its programs. LOFT observed an agency practice of compartmentalizing fraud to only certain positions, which overlooks the opportunities of personnel that have direct contact with clients or providers to identify potential fraud flags. For example, LOFT observed workers examining providers’

attendance sheets to confirm the number of children present but overlooking potential violations in recording attendance and not questioning the age of older children being cared for during school hours.

Case records also demonstrate a willingness of OKDHS workers to accept blurred or unreadable documents, and an unwillingness to validate documents that are missing key information or appear doctored. Workers also deprioritize an automated system alert that generates when there is an income discrepancy; these alerts are often cleared without a review by either management or investigators, or are set aside. Last, a supervisor of caseworkers informed LOFT that caseworkers do not use the fraud detection tools referenced in the agency's training materials as they "are not investigators," and that verifying employment is a "best practice" but not a requirement.



LOFT reviewed OKDHS' internal investigations where an overpayment of the child care subsidy occurred and found that \$551,249 was overpaid over a 12-month period. **All but one of the overpayments were attributed to parents intentionally reporting inaccurate information on their application.** While some of OKDHS' investigative audits of providers revealed that providers were paid for days they should not have been, the amounts were small and not widespread. However, this may be attributable to the brief audit period, oftentimes around 6 months.

Clients who became subject of these cases either provided fraudulent paystubs, failed to state their true income, or failed to report another household member's income. Because the same application is used to apply for multiple benefits from OKDHS, such as SNAP, utility assistance, and the Child Care Assistance Program, **in almost all cases, when there is an overpayment in one benefit program, there is an overpayment in all benefit programs the client is a recipient of.** For example, the total child care fraud among the 9 criminal cases totaled \$154,000, but when including all benefit programs, the total amount of overpayment due to fraud across these cases was \$270,767.

As demonstrated in Minnesota, fraud is a crime of opportunity, and when there is no deterrent to fraud, it scales. While Oklahoma's DHS has not yet experienced the level of fraud found in Minnesota, it is following some concerning trends observed in that state, such as choosing not to pursue criminal charges for fraud and instead handling cases administratively, with few consequences, and labeling fraudulent actions as overpayments.

Summary of Policy Considerations and Agency Recommendations

The Legislature may consider the following policy changes:

- Require that OKDHS refer all cases that meet the statutory definition of fraud to the district attorney.
- Establish whistleblower laws that define protected activities and adverse actions against an employee.
- Add the Office of the Auditor and Inspector as a recipient of whistleblower complaints.

The Oklahoma Department of Human Services should:

- Adopt a clear position on the pursuit of fraud over administrative penalties.
- Submit all substantiated fraud cases to a District Attorney or Assistant United States Attorney first for potential criminal prosecution, with OKDHS pursuing recovery through administrative processes only if the case is declined.
- Institute new training and procedures to incorporate fraud identification into monitoring visits by licensing workers to child care providers.
- Require that any system alerts generated due to income discrepancies be forwarded to the agency's investigative unit for review before being cleared from the system and require Adult and Family Services workers to process G1DX errors within 30 days.
- Transfer the staff from the Benefits Integrity Recovery Section to the Office of Inspector General (OIG), as the unit determines overpayment amounts and leads collection efforts.
- Dedicate more personnel to the OIG's investigative branch, potentially reclassifying the current three program auditors under the Quality Audit Unit as additional law enforcement agents that could be available to conduct investigations.
- Adopt policies to reject any documentation that is blurred or unreadable and require verification of all documentation as a standard practice. Incorporate these policies into annual employee training.
- Ensure completeness of the applications for the child care subsidy by ensuring that information collected during the application for other benefits is transferred to the child care application.
- Use the agency's recently acquired access to a credit reporting service to verify income on a monthly basis, and also request a waiver from the federal government to reassess eligibility as needed.
- Expand its user agreement to include language prohibiting manipulation of the new app's ability to confirm physical attendance.
- Require OKDHS conduct an address verification of the responsible parent(s) or guardian(s) of the child through:
 - Entering into a memorandum of understanding with Service Oklahoma to use the State's driver's license database for address verification.
 - Coordinating with OKDHS' Child Support Services Division to confirm the last known address of the absent parent.
- Require that all referrals entered into the Office of the Inspector General's database include documentation of all attempts to assess the strength of the allegations.

- Periodically have OKDHS OIG test the strength of the agency's fraud detection by submitting fraudulent documents for OKDHS workers to process.
- In accordance with Administrative Rules and the State Plan, require child care providers attest to whether client copayments have been paid.
- Consider administrative action against clients that fail to remit copayments to providers.
- For providers whose actions are found to have intentionally resulted in overpayment of the Child Care Assistance Funds, reduce the provider's quality rating status and corresponding reimbursement rate by one level.

Background

States receive Child Care Subsidy funds from the federal government to help make child care affordable for low-income families who are either working or participating in job training or education. In early January 2026, widespread allegations of fraud and misuse of these and other related federal subsidy programs led the federal government to freeze five states' access to those funds and initiate compliance reviews.¹ The following month, Oklahoma lawmakers proactively initiated a review of the state's processes for verifying the funds for child care providers that receive the federal subsidies.

Program Funding

There are four sources of funding available for Oklahoma to provide child care subsidies. The Child Care and Development Fund (CCDF) is the primary funding source for the federal child care subsidies. These funds are appropriated to each state or territory through its designated lead agency. In Oklahoma, this is the Department of Human Services (OKDHS). The CCDF is funded by six streams of revenue, four of which are federally derived. The State contributes two sources, both of which are required as a condition of receiving portions of the federal funding.

The Child Care and Development Block Grant Act expresses seven program purposes:

- allowing states flexibility in developing their child care programs and policies;
- promoting parental choice to empower working parents to choose the care that best suits their family;
- encouraging states to provide consumer education information to parents and to promote family involvement;
- helping states to deliver high-quality, coordinated early childhood care and education services that maximize parents' options and support parents trying to become independent of public assistance;
- assisting states in improving overall quality of care by implementing health, safety, licensing, training, and oversight standards;
- improving child care and development of participating children; and
- raising the number and percentage of low-income children in high-quality care.

Source: §658A(b) of the CCDBG Act. The CCDBG Act is the main federal law governing child care programs for low-income working families and governs the use of CCDF funds.

Child Care and Development Fund		
Federal Sources, FY25		
Mandatory	A fixed allocation based on a state's historical expenditures from the now-defunct Aid to Families with Dependent Children.	\$ 24.9 million
Discretionary	Provided through annual congressional renewal but are not required. A state's share is based on population of children under the age of five and income data.	\$ 122.8 million
Match	Funds appropriated under Section 418 of the Social Security Act based on the state's share of children under the age of 13. These funds are capped and available only to states that provide matching funds.	\$ 28.8 million
TANF Transfers	Federal statute allows states to transfer up to 30 percent of TANF (Temporary Assistance for Needy Families) allocated funds to the CCDF. Since FY16, Oklahoma has transferred between \$20 and \$29 million to the CCDF from TANF every year.	\$ 27.6 million
Subtotal Federal CCDF Revenue		\$ 204.1 million

Exhibit 1: CCDF Federal Funding.
(Federal funds provide most of the funding for Oklahoma's child care subsidies. State funds, shown in the next table, are required to draw some of these funds.)

Source: Data from the Oklahoma Department of Human Services and federal guides.

¹ U.S. Department of Health and Human Services Press Release: HHS Freezes Child Care and Family Assistance Grants in Five States for Fraud Concerns, January 6, 2026.

In Fiscal Year 25 DHS spent a total of \$351.1 million on child care related activities from all sources. Of that, State level funds constitute 7 percent, or \$24.7 million of these expenses. The remaining funds are federal revenues from a variety of sources, including the CCDF, TANF, grants, and some COVID related programs.

Exhibit 2: CCDF State Funding (DHS allocates part of its appropriated State funds to meet federal funding requirements and to receive federal match funding.)

Child Care and Development Fund		
Oklahoma Sources, FY25		
Maintenance of Effort	The minimum amount of state funds that must be expended in order to receive federal funding.	\$ 10.6 million
Matching	The funds Oklahoma provides in order to receive the federal match. The match rate is set to that of the State's FMAP.	\$ 14.1 million
Subtotal State CCDF Revenue		\$ 24.7 million

Source: Data from the Oklahoma Department of Human Services and federal guides.

Notes: Annual Maintenance of Effort amounts have remained flat since the implementation of CCDF in 1996. FMAP, or the Federal Medical Assistance Percentage, is based on a state's per capita income compared to the national average. A state's FMAP rate cannot be less than 50 percent or more than 83 percent. For FY25, Oklahoma's FMAP rate was 66.08 percent. The FY26 FMAP rate is 66.47 percent. As a state's FMAP rate increases, federal funds decrease. Section 45 §98.63 of U.S. Code provides a limit to the amount of federal funds provided as matching funds.

Funding on Top of CCDF

In addition to the funds received from the CCDF, other federal funds can be used by OKDHS to increase support to child care. In recent years, Oklahoma has received significant temporary funding from COVID disbursements, and occasionally receives federal grant funds. The most recent grant secured by OKDHS for child care services was in FY25; the Preschool Development Grant (PDG B-5) is a three-year grant totaling \$14.7 million to use toward strengthening the state's early childhood system.²

As explained in the table above, OKDHS converts some of the federal funds it receives for TANF to the CCDF to use for the Child Care Subsidy Program.³ Additionally, OKDHS expends money from TANF to subsidize child care; these are referred to as TANF Direct payments. Federal regulations require only that these payments be made for child care and that the recipients meet TANF eligibility standards.⁴ Oklahoma's TANF State Plan states that TANF Direct payments can be used "to supplement the CCDBG state programs."⁵ The State Plan's language echoes federal regulation, specifying that "all subsidy payments covered by TANF Direct will have income eligibility determined by child care services and be eligible for TANF coverage."⁶ TANF Direct payments have fluctuated significantly in the last decade and in recent years have exceeded the amount transferred from TANF into the CCDF. In FY21, \$15.5 million was spent on TANF Direct, whereas in FY25, that amount increased to \$141.4 million.

² Oklahoma Partnership for School Readiness.

³ 42 U.S.C. §604.

⁴ 45 U.S.C. §263.3.; TANF State Plan, pg. 20.

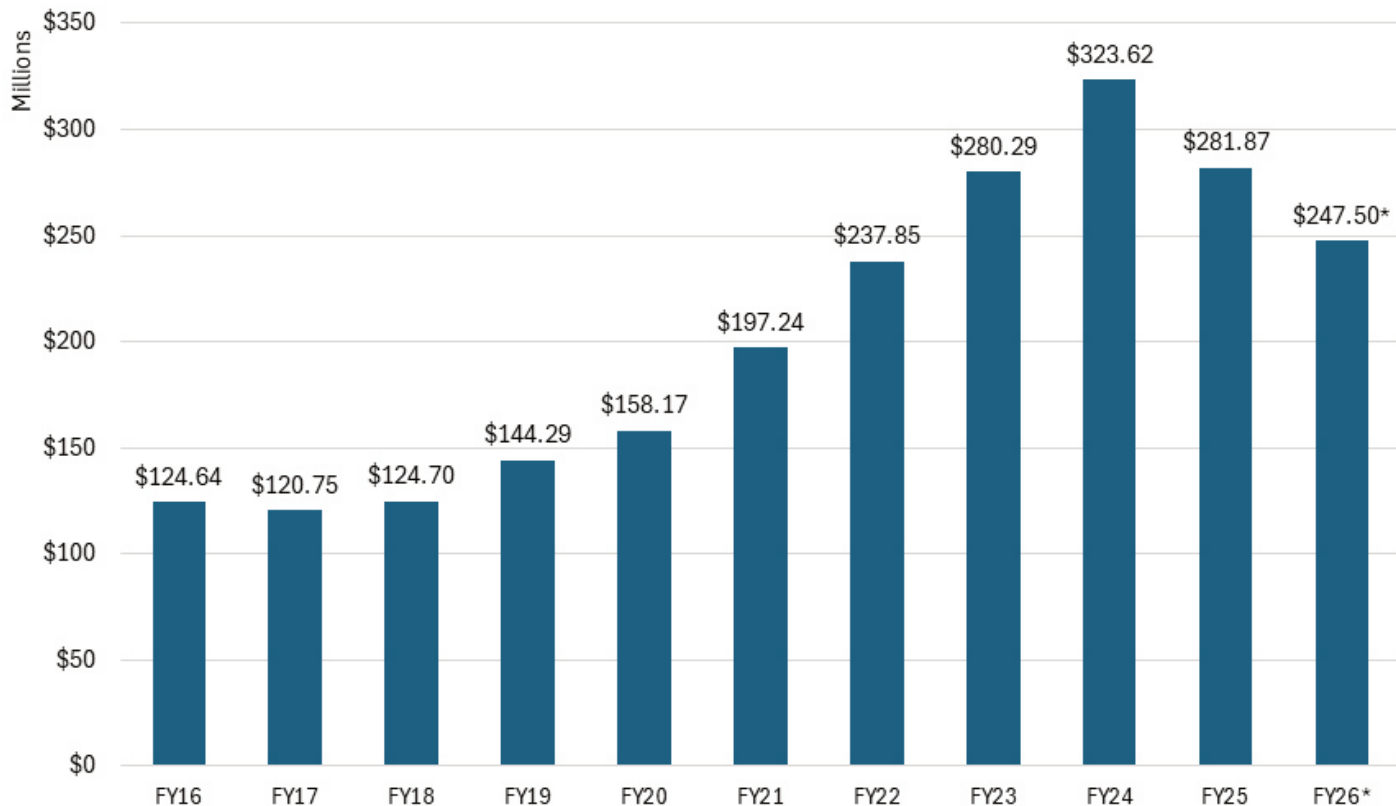
⁵ State of Oklahoma State Plan for Title IV-A of the Social Security Act, Temporary assistance for Needy Families, p. 18, Aug. 1, 2024.

⁶ Ibid.

Between FY20 and FY24, Oklahoma’s federal funding for child care subsidies more than doubled due to three rounds of federal relief funds provided in response to the COVID pandemic. Since that time, child care subsidies have steadily declined but remain higher than pre-COVID funding levels. COVID relief funds have now been exhausted, as the last deadline for expending funds was September 30, 2024.

Exhibit 3: DHS Child Care Subsidy Expenditures to Child Care Providers. (This bar graph depicts all funds expended by DHS to child care providers in the state by year. These funds are transferred to the third-party vendor (Conduent), which then transfers the funds directly to the providers.)

DHS Conduent Payments for Child Care Subsidy



Source: The Oklahoma Department of Human Services.

Notes: *The 247.50 million figure is a projection of expenses as the year is not yet complete.

The end of the pandemic relief funds led DHS to make funding adjustments to the child care subsidy program, such as ceasing to reimburse child care providers for an additional \$5 per child, per day temporary enhancement that was put in place by DHS during the pandemic. Additionally, OKDHS announced that income eligibility for the child care subsidy would return to the 55 percent of State Median Income beginning July 1, 2026.⁷

Agency Budget

OKDHS receives 72 percent of its budget from federal funds; for FY26, OKDHS’ total budget is \$3.6 billion. Of that, \$2.6 billion is from federal sources and \$827.7 million is from State appropriations. The difference between the two figures is due to revolving fund balances and remaining federal ARPA funds.

⁷ Oklahoma Human Services, Press Release: Oklahoma Human Services Takes Stability Toward Long-Term Stability of Child Care, Dec. 10, 2025. Guidance from the federal government sets an eligibility limit of 85 percent of State Median Income. Appendix C provides details about how Oklahoma determines eligibility for the child care subsidy.

DHS has twenty divisions listed within its budget. The Child Care Services division, which administers the child care subsidies, constitutes 8 percent of DHS' annual budget for FY26.⁸

Exhibit 4: OKDHS Funding to Key Divisions. (The Child Care Services division, which administers the child care subsidy, receives approximately eight percent of the agency's annual funding.)

OPERATIONAL DIVISION	FY 2026 BUDGET
Child Welfare Services	\$536,457,866
Developmental Disabilities Services	\$318,236,772
Adult and Family Services	\$2,010,523,687
Community Living, Aging, and Protective Services	\$165,890,706
Administration and Data Services	\$120,437,688
Child Care Services	\$295,521,636
Child Support Services	\$55,925,203
Information Technology	\$86,059,919
OPERATIONAL DIVISION SUBTOTAL	\$3,589,053,477
PASSTHROUGH DIVISIONS	FY 2026 BUDGET
ARPA Funds	\$40,165,377
SEF State Emergency Fund	\$7,072,000
PASSTHROUGH DIVISIONS SUBTOTAL	\$47,237,377
TOTAL FY26 DHS BUDGET	\$3,636,290,854

Source: PeopleSoft "Agency Budget to Actuals by Division" Report generated March 12, 2026

Notes: The SEF funds are SNAP-related funds that were set aside for food banks and are unrelated to Child Care programs.

Expenditures

State agencies receiving the federal funds may not expend more than five percent of each fiscal year's funds on administrative expenses. Additionally, states are required to spend at least 12 percent of the federal funds on activities that either improve the quality of child care services or increase access to high-quality child care.⁹ Examples of allowable quality improvement activities include training, professional development, early learning and development guidelines, a quality rating improvement system, and resource and referral services. In SFY25, Oklahoma received \$190.5 million in funding from the CCDF, of which DHS budgeted 11.5 percent, or \$27.9 million for activities for ensuring either quality facilities or increasing access to quality child care.¹⁰

⁸ PeopleSoft "Agency Budget to Actuals by Division" Report generated March 12, 2026.

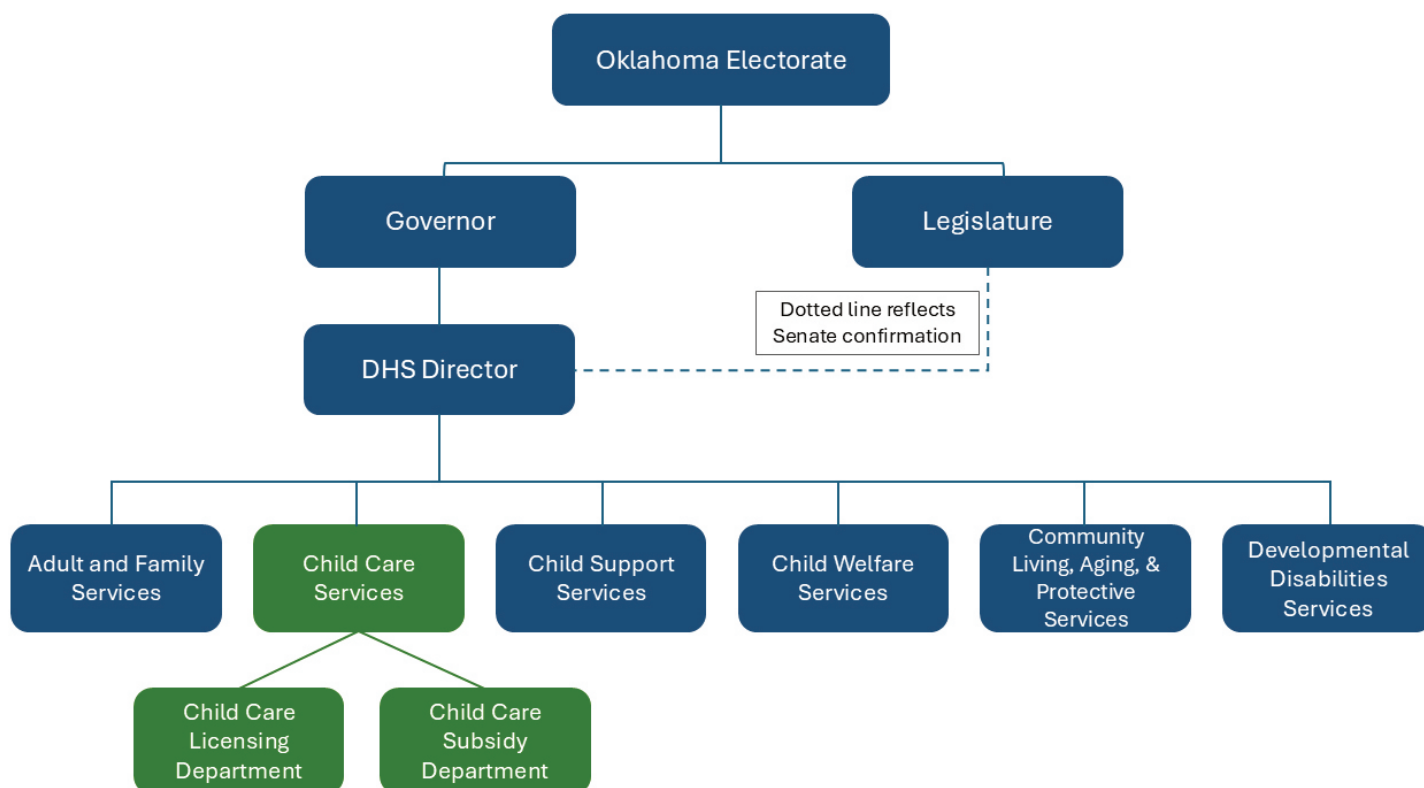
⁹ 45 CFR 98.50(b).

¹⁰ As the percent of spending on quality is for State Fiscal Year and not Federal Fiscal Year, the figure varies from the annual federal requirement to expend at least 12 percent on these activities.

Governance

The Oklahoma Department of Human Services (DHS) is administered by a director, who is appointed by the Governor and confirmed by the Senate. The Director serves as the agency's chief executive and administrative officer and holds authority to formulate policy and adopt rules for DHS administration.¹¹ There are two divisions within DHS that have a role in administering the Child Care Subsidy program:

- Adult and Family Services (AFS) administers household eligibility determinations under applicable state and federal rule.
- Child Care Services (CCS) administers the child care program and oversees provider licensing and regulatory compliance. Within this division are two departments; one for licensing and another for managing the subsidies paid to child care providers.



Source: LOFT review of statute, administrative code, and Oklahoma State Plan for the Child Care Subsidy.

Notes: The divisions reflected are only those that deliver services; additional non-service providing divisions include those that support agency operations. The Office of the Inspector General is a separate division that investigates complaints related to Child Care Services but does not have a role in administration of the programs.

¹¹ 56 O.S. § 162.

Exhibit 5: Various OKDHS Offices and Roles Related to Administration of the Child Care Subsidy.

Division Name	Role	FTEs
Child Care Services: Licensing Department	The Child Care Licensing office licenses child care providers and confers quality ratings. This office inspects child care centers to ensure safety and quality standards are met.	106
Child Care Services: Child Care Subsidy Department	The Child Care Subsidy office manages contracts with providers that receive subsidy payments.	60
Adult and Family Services	Determines applicant eligibility. Verifies all paperwork, including household income, parent job/job training schedule, child's citizenship status, "need factor", and approves the hours the child is enrolled in care.	1,390
Financial Services	This division makes the child care subsidy payments to providers through the vendor's EBT card system. They handle financial transactions and financial reconciliations.	91

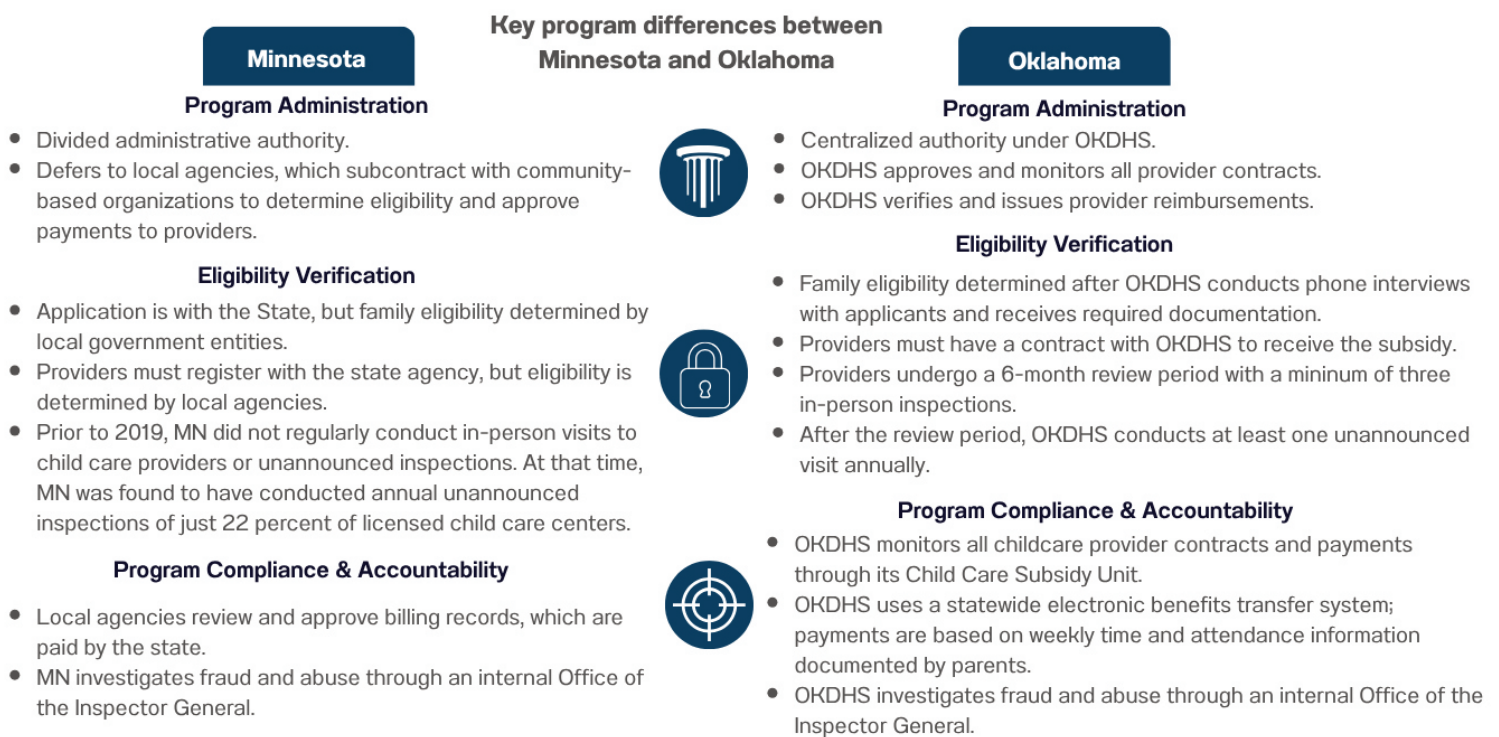
Source: Data received from OKDHS on June 1, 2026.

Additionally, a statutorily created Child Care Advisory Committee advises OKDHS regarding minimum requirements and standards for child care programs. The Committee is comprised of representatives of child care facilities, child care programs, and youth-centered associations, which are organized into four standing subcommittees.¹² LOFT's review of the 2025 meetings found the meetings often serve as a discussion forum for providers and OKDHS, with providers expressing concerns to the agency. However, during 2025, the Committee did not make recommendations for OKDHS' rule promulgation.

¹² Refer to Appendix G for a description of the subcommittees and their purpose.

Finding 1: Oklahoma’s Child Care Subsidy Program is Unlikely to Experience Large-Scale Coordinated Fraud, but Other Risks for Fraud and Abuse of the Program Remain

The alleged child care fraud in the state of Minnesota has led officials in other states to question whether their programs might be at risk for abuse. The recent focus on program integrity is to ensure the aid is serving its intended purpose. As the Government Accountability Office (GAO) noted in its 2010 report examining fraud within the Child Care and Development Fund (CCDF), “Fraudulent payments reduce program funds available for eligible parents who depend on child care assistance to maintain employment or attend education programs.”¹³



Sources: 2025-2027 CCDF State/Territory Plans; Minnesota’s CCAP Child Care Provider Guide, 2024; Minnesota Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Internal Controls, April 10, 2019.

A 2019 special review of Minnesota’s child care assistance program stated that both investigators and prosecutors attributed the probability of fraud to the way Minnesota administers the child care assistance program, citing weak processes and limited oversight.¹⁴ LOFT compared Minnesota’s processes for administering the child care assistance program to Oklahoma’s to assess whether Oklahoma was at risk for the type of abuse alleged in Minnesota and determined that, based on the structural administrative differences between the two state’s programs, it would be unlikely for Oklahoma to experience the type and scope of fraud alleged to have occurred in Minnesota.¹⁵ However, there are other risks for fraud and abuse within this category of aid, which LOFT also examined.

¹³ United States Government Accountability Office, Child Care and Development Fund: Undercover Tests Show Five State Programs are Vulnerable to Fraud, September 2010.

¹⁴ Minnesota Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Fraud Allegations, March 2019.

¹⁵ House Judiciary Subcommittee on Crime and Federal Government Surveillance hearing, When Public Funds are Abused: Addressing Fraud and the Theft of Taxpayer Dollars. January 21, 2026; Waste, Fraud, and Abuse in Minnesota, 2025-2026 Session Report of the Minnesota Fraud Prevention and Oversight Committee. May 13, 2026.

Comparison of Child Care Assistance Program in Minnesota and Oklahoma

LOFT's review of investigative reports of Minnesota's Child Care Assistance Program between 2019 and 2026 identified the following risk areas:

- Divided administrative authority
- Low barriers for provider enrollment
- Payments based on attestations of attendance instead of documentation
- Failure to act when risks or fraud are identified

The Child Care Assistance Program funds support two parties: the families, for whom the cost of child care is made more affordable, and the child care providers, who are the direct recipients of the subsidies. Therefore, LOFT examined OKDHS' process for verifying the families and the providers, identifying any associated risks for fraud and abuse with each.

Program Administration

A key difference between Oklahoma's and Minnesota's administration of its child care assistance funds is that Oklahoma centralizes its oversight through one State agency: the Department of Human Services (OKDHS). This agency makes determinations of eligibility, licenses providers, and remits the subsidy payments to child care providers. In Minnesota, local governments have a significant role in establishing child eligibility, monitoring providers, and issuing payments. Families in Minnesota apply for child care benefits online through the State's lead agency, the Minnesota Department of Children, Youth and Families. The completed application is then delivered to the county or Tribal Nation, which determines eligibility. The local government entity determines whether an interview with the applicant is required.

Oklahoma has 3,728 licensed child care programs, including day camps, drop-in programs, child care centers, out of school time programs, part-day programs, and programs for sick children.¹⁶ OKDHS licenses all child care providers, but not all providers receive the child care subsidy. For a provider to be eligible for the subsidy, they must enter into a contract with OKDHS. Eligible providers must be located in the state of Oklahoma and be licensed or permitted. Providers may operate a child care center or a child care home. Those providing care in a child care center must have a quality rating of at least two stars and licensed child care home providers must have a minimum quality rating of one star.¹⁷

DHS refers to child care providers that accept subsidy payments as "contract facilities." There were 2,016 OKDHS contracted facilities in Oklahoma during Fiscal Year 2025, according to the OKDHS Annual Report.

OKDHS' Process for Verifying Provider Eligibility

Minnesota was found to have enrolled providers without documenting operational capacity or conducting an in-person visit to the child care facility, enabling "phantom" operations where providers

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FY25

from

2,016
licensed and contracted
child care centers and
homes

¹⁶ OKDHS website: Child Care Licensing, Child Care Services

¹⁷ OAC 340:40-13. Refer to Appendix F for the full requirements, per Oklahoma Administrative Code, for a provider to be eligible to contract with DHS to receive the child care subsidy.

were later observed as having no children present or required amenities, such as a playground, yet were receiving child care payments from the state.¹⁸

Minnesota's Department of Children, Youth, and Families require all child care providers to become registered with the state before they can be eligible to receive Child Care Assistance Program payments. The registration process includes providing either a Social Security Number or Federal Employer Identification Number, submitting license or certification status, and any credentials that may qualify the provider for a higher quality rate. Providers must also sign an agreement to follow all laws, rules, and policies.¹⁹ However, Minnesota did not regularly conduct in person visits prior to approving a child care provider, nor did it conduct required annual inspection visits of all providers.²⁰

Oklahoma's Department of Human Services requires that child care providers provide photo identification, Social Security Card, and undergo an OSBI criminal history investigation. Additionally, OKDHS conducts site visits to ensure licensing standards are met. An approved provider operates under a permit, during which time they are placed on a 6-month monitoring period by OKDHS that includes bi-monthly visits to ensure compliance with licensing requirements.²¹

Oklahoma's policy to conduct unannounced, in-person visits greatly reduces the likelihood that Oklahoma providers are not actually operating a child care facility, as was alleged in Minnesota. However, there is the potential for legitimate providers to inflate attendance records to increase reimbursements.

The rates at which OKDHS pays the subsidy to providers depends on the provider's quality rating status, whether the daycare is in-home or out-of-home, the child's age, and the unit type. There are four main time-driven unit types:²²

Types of Rates	
Full-time	Qualification: Care provided exceeds four hours in a day but cannot exceed 24 hours. Verification: DHS requires both a check in and a check out for payment to be authorized.
Part-time	Qualification: Care provided is less than four hours per day. Verification: DHS requires only a check in for a payment to be authorized.
Weekly	Qualification: Care is provided more than four hours per day, at least 15 days per month, but cannot exceed 23 days per month. Verification: DHS requires both a check in and a check out for payment to be authorized.
Blended	Qualification: Part-time care is provided to children aged four and older only during weekdays and only during the academic schoolyear; full-time care is only approved outside of the academic schoolyear. Verification: DHS requires only a check in for payment during the academic year.

For children approved for the weekly unit type, OKDHS may pay for some days that a child is absent from daycare. The child must attend the minimum number of full days for a calendar month for OKDHS to approve making an absent day payment. If this minimum attendance is not met, OKDHS will pay only for days attended.

¹⁸ Waste, Fraud, and Abuse in Minnesota, 2025-2026 Session Report of the Minnesota Fraud Prevention and Oversight Committee. May 13, 2026.

¹⁹ Minnesota CCAP Child Care Provider Guide, 2024.

²⁰ Minnesota Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Internal Controls, April 10, 2019.

²¹ OAC 340:110-1-6.

²² Other non-time related unit types geared toward type of circumstance are the special needs unit type, child welfare add-on, and non-traditional hours add-on.

OKDHS' Process for Paying Providers

The impact of attendance on provider payments can provide an incentive to manipulate attendance records. Therefore, the integrity of any program must have processes for recording and verifying attendance.

Oklahoma's process begins with the client, who can log their child's attendance either through a phone-based app or by swiping their electronic benefits card (EBT) on a terminal in the child care facility. There are no funds for child care that are accessible for the parent through the card; use of the card is only for logging attendance. If either of these electronic options are used, the data will be automatically entered into OKDHS' system that tracks the amount of time that a child receives care. It is the provider's responsibility to ensure, on a daily basis, that the times entered for each child are accurate. If there is a discrepancy, the provider deletes the entry from the system and then informs the parent that a correction will need to be made manually. The parent and the provider have 10 days from the date of the error to correct it.

Once the parent and provider agree on the times the child was in care, the system automatically generates a report for OKDHS to review. If OKDHS does not see any issues that require investigation, then OKDHS uses its third-party vendor, Conduent, to issue the appropriate payment to the providers.

Exhibit 6: Process for Paying Providers. (OKDHS uses an electronic-based system to verify attendance of children whose care is subsidized through the Child Care Assistance Program. Oklahoma's system relies on the parent and the provider confirming the accuracy of a child's attendance.)

From Attendance to Payment: The Child Care Subsidy Lifecycle

Phase 2: Processing & Financial Outlay



Parent Logs Attendance & Verification

Parents record time via phone app or swiping an EBT card at the terminal.

Phase 1: Attendance Logging & Verification



Provider Verification

Providers verify accuracy daily; both parties have 10 days for any necessary corrections.



System Report Generation

Once attendance is agreed upon, the system automatically generates a report for DHS review.



Conduent Bills DHS

Conduent's system processes attendance data to generate a bill for the department.



DHS Transfers Funds

After reviewing for issues, DHS sends funds to Conduent to cover weekly claims.



Final Provider Payout

Conduent receives the funds and issues the final payment to the child care provider.



Source: LOFT's depiction of steps described across OKDHS' administrative rules, Child Care Subsidy Provider Handbook, and LOFT fieldwork at OKDHS.

As depicted above, while Oklahoma's attendance-based system is designed to ensure that State payments for the child care subsidy are proper and in compliance with the CCDF plan submitted to the federal government, the integrity of the payments is dependent upon proper record keeping. The following sections describe LOFT's assessment of risks for misuse within the existing process.

Attendance Verification

For children whose care is subsidized by OKDHS, providers are expected to confirm, on a daily basis, the amount of time that any child receives care. Parents may either use a phone-based app or a physical terminal to record daily arrivals and departures of children being cared for. Through a combination of field work and information from providers, LOFT learned that it is not unusual for parents to fail to use the electronic options to record exact arrival and departures on a daily basis. In these cases, a provider may have a written attendance log that does not capture exact times. For example, one provider observed by LOFT recorded time in half-hour intervals. A limitation with the current phone-based app is that parents can log arrivals and departures from anywhere. The lack of geo-location within the app could invite fraud, as a parent could record a child as being checked in to the child care facility when they are not actually there. Additionally, a provider could request a parent to digitally check children in before they arrive, compromising the attendance data that is used to determine provider payments.

Providers also shared with LOFT that parents often enter incorrect times, or that providers have to reach out to parents to get them to either enter or correct times submitted. Providers noted that parents manually enter in a time instead of receiving an electronic time stamp. OKDHS' system requires that providers and parents both verify the hours that a child was cared for, but this step relies on families and providers being honest about the amount of time a child is in care. Attendance records may not be accurate due to poor record keeping, error, inability for a provider to have a parent correct an attendance record within the allotted 10 days of care, or through collusion between the provider and parent.

While Oklahoma requires electronic verification of attendance, the attendance record is based on the information input by the parents and submitted by the child care provider. The phone app, which is the primary method used by clients to record attendance, is not geo-fenced to the provider's address, allowing parents to check a child in remotely from any location. A recent report from Minnesota's Fraud Prevention and Oversight Committee noted the inherent risk of programs that bill based on attestation of attendance instead of electronic verification, stating, "Because such records are easy to forge or backdate, programs that rely on attendance without electronic verification are magnets for fraudsters."²³ OKDHS told LOFT it intends to move to a new vendor whose app use is geofenced to the childcare facility. Clients who still use the EBT-card scanner are required to physically scan the card at the childcare facility and OKDHS prohibits providers from using or having possession of the client's card.²⁴ OKDHS should expand its user agreement to include language prohibiting manipulation of the new app's ability to confirm physical attendance.

Reimbursement Model

There are generally two methods of paying the child care assistance funds to providers: enrollment-based and attendance-based. Approximately half of the states do not pay based on enrollment. The practice of paying based on enrollment creates a guaranteed revenue stream that helps stabilize providers who offer services to low-income families that may be prone to frequent absences. While enrollment-based payments provide financial certainty for child care providers – who receive the subsidies regardless of whether or how often a child attends – there is a risk for abuse and waste because the payments are made based on the children assigned to a facility rather than a record of

²³ Waste, Fraud, and Abuse in Minnesota, 2025-2026 Session Report of the Minnesota Fraud Prevention and Oversight Committee. Minnesota's Department of Children, Youth, and Families launched an electronic attendance pilot with a group of providers in May 2026.

²⁴ OAC 340:40-10-2.

attendance. If a child leaves a facility, or, as in the case of some of the fraud allegations in Minnesota, was never intended to receive care, the provider can still get paid. This payment model requires meticulous verification measures to ensure payments are being used as intended.

Both Oklahoma and Minnesota operate on a waiver that allows the states to be out of compliance with federal requirements for states to pay child care providers in advance of services and based on enrollment instead of actual attendance.²⁵ However, Oklahoma's attendance standards are more structured than those established in Minnesota. For example, Oklahoma requires both the parent and the provider to confirm and submit attendance records electronically, while Minnesota does not require providers to include attendance logs with their bills. Oklahoma's policy pays a part-time rate for less than four hours of care provided in a day and pays the full-time rate only when the care for a child exceeds four hours in a day. Minnesota pays the full daily rate for any child who was cared for at any point in a day, regardless of hours.

MN

payment policy accounts for fixed costs: **Child care assistance pays for a child's scheduled and authorized hours of attendance, not actual hours attended. If a child attends for any part of their authorized schedule, care is fully paid for that day with no restrictions. When a child is absent an entire day they were scheduled and authorized to be in care, care can be paid up to 25 absent days per calendar year. More absent days can be paid due to medical conditions or illness of a parent or sibling living with the child care assistance (CCAP) family if documentation is submitted to the local agency.**

OK

payment policy accounts for fixed costs: **The Lead agency reimburses providers based on attendance with some absent days. The Lead Agency does not meet this provision of the final rule and will file a waiver.**

Source: Oklahoma CCDF 2025-2027 State Plan and Minnesota CCDF 2025-2027 State Plan.

Minnesota's State Plan states that, "By paying fully for days that a child attends for any percent of the day, more consistent payments are made to providers."²⁶ Oklahoma administrative rules clarify that charges are authorized and payment is made to providers only when the child care services rendered are in accordance with the child care plan developed and approved between the client and OKDHS.²⁷ Payment rates are applied according to the duration of care being either full-time (more than four hours per day, five days per week), or part-time, which is care that does not exceed four hours per day.²⁸ Oklahoma administrative rules make no allowance for paying providers fully for partial attendance, as is practiced in Minnesota.

Another key difference between Minnesota and Oklahoma is the policy for paying providers for days that a child is absent. As the graphic above depicts, Minnesota pays for a child's authorized schedule, not actual hours attended. Furthermore, Minnesota will pay for absent days without conditions or qualifications. In addition to an allotted number of paid absent days, Minnesota will also pay for days

²⁵ Federal Rule 45 C.F.R. § 98.45(m)(1) mandates that all Lead Agencies pay providers in advance of services and 45 C.F.R. § 98.45(m)(2) mandates the Lead Agency base provider payment on enrollment over attendance.

²⁶ Child Care and Development Fund (CCDF) Plan for Minnesota FFY 2025-2027, p. 72

²⁷ OAC 340:40-13-3.

²⁸ OAC 340:40-13-3.

absent due to the child, parent, or sibling being ill. Conversely, Oklahoma pays for absent days only if certain criteria are met. A provider is reimbursed only for children who qualify for one of the four unit types of enrollment, and then only if the child's attendance meets certain minimum full-time days of attendance.²⁹

Oklahoma's purchasing laws, which prohibit payment prior to the receipt of services, led Oklahoma to seek and obtain a temporary waiver to allow OKDHS to pay providers only after services have been rendered.³⁰ In January 2026, the U.S. Department of Health and Human Services (HHS) announced it would be rescinding rules in the 2024 Child Care and Development Fund, including requirements for states to pay providers prospectively and based on enrollment.³¹ The process of rolling back those rules to a 2016 level is currently underway, and expected to be final within the year.

The new rule does not eliminate the practice of paying providers in advance or based on enrollment, but the change makes it optional. According to HHS, only six states implemented the requirement to pay providers prospectively and estimated that staying with the current rule would cost up to \$10 million each year in the first two years of implementation. The proposed rollback of this current rule essentially returns to the requirements of 2016, allowing the state to pay prospectively *or* retrospectively within no more than 21 calendar days of receipt of a complete invoice for services.³² If the rule change is adopted, Oklahoma would not need to make any changes to its administration of the child care assistance program and would no longer need to request a federal waiver.

Legitimacy of Providers

Minnesota's Fraud Prevention and Oversight Committee had staff visit several child care providers that had received more than \$1 million in Child Care Assistance Program funds and found that many showed no signs of being a legitimate child care provider, including having blacked out windows, no signs of children present at the facility, or no outdoor play area.³³

LOFT obtained from OKDHS a list of the ten providers that received the greatest amount of child care subsidy funding and observed the six facilities located within the Oklahoma City metropolitan area. LOFT's observations focused on signs that the center was legitimately operating as a child care provider or for signs that would lead to reasonable suspicion that the center was not a legitimate child care facility. At each center, LOFT staff observed parents arriving

Exhibit 7: Top Ten Child Care Providers by Subsidy Amount.

(These providers received the greatest amount of child care subsidy funds for the 12-month period ending April 2026.)

CONTRACT NO	AMOUNT
25644	\$1,308,621.66
28733	\$1,177,994.39
23111	\$1,159,009.87
29486	\$1,077,040.35
28738	\$954,435.14
29364	\$928,051.42
28190	\$920,040.95
27973	\$919,754.40
26475	\$919,650.61
29629	\$918,328.97

Source: OKDHS.

²⁹ DHS Child Care Subsidy Provider Handbook, Section C.

³⁰ O.S. 74: 85.44B. Refer to Appendix D for additional details on Oklahoma's waiver

³¹ U.S. Department of Health and Human Services, Press Release: HHS to Close Biden-Era Loophole That Let States Pay Child Care Providers Without Counting Attendance, Jan. 5, 2026; Restoring Flexibility in the Child Care and Development Fund (CCDF), proposed rule by the Health and Human Services Department, Jan. 5, 2026.

³² *Ibid.*

³³ Waste, Fraud, and Abuse in Minnesota, 2025-2026 Session Report of the Minnesota Fraud Prevention and Oversight Committee.

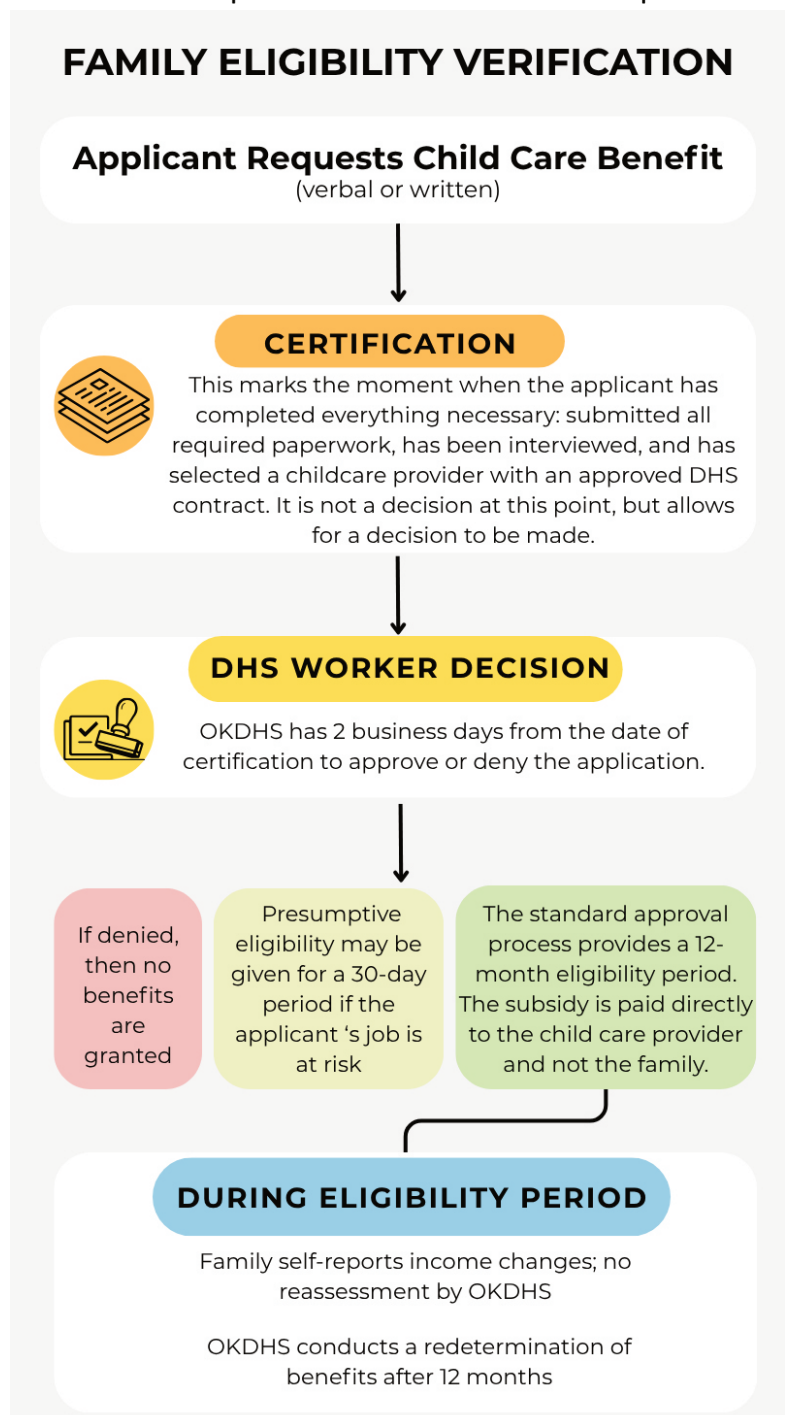
or departing with children, an outside play area, and in some cases, children using playground equipment.³⁴

OKDHS' Process for Verifying Family Eligibility

The Adult and Family Services division within the Oklahoma Department of Human Services processes applications for the child care subsidy.³⁵ The request date is the time the applicant requests benefits either verbally or in writing. The certification date is the moment when the applicant completes all the necessary steps to apply, including paperwork, an interview, and selects a daycare center. After the certification date, the DHS worker has two business days to approve or deny the application. There is a special provision called presumptive eligibility processing where the DHS worker approves a maximum of 30 days of eligibility for certain situations, such as if the applicant is in danger of losing a job or cannot start a new job unless child care is immediately approved.³⁶ Federal regulations allow up to three months for this designation.³⁷

Once approved, the family retains its eligibility for a 12-month period unless the family's income changes to a level that exceeds the federal eligibility threshold. OKDHS does not reassess income during the 12-month period; families are expected to report any income changes during that time. Federal regulations prohibit the lead agency from redetermining eligibility sooner than 12 months following the last determination. Federal regulations allow, but do not require, lead agencies to discontinue benefits due to a parent who stops attending job training or loses their employment.³⁸

Families receiving the subsidy do not directly receive any funds for the benefit; instead, the subsidy is paid to the child care provider. The risks on the family side primarily relate to fraudulently obtaining the benefit through falsifying income or



³⁴ The methodology section of Appendix A provides additional information about the surveillance work conducted by LOFT staff.

³⁵ Appendix E provides OKDHS' eligibility criteria.

³⁶ OAC 340:40-3-1.

³⁷ CFR 45 § 98.21.

³⁸ *Ibid.*

misrepresenting the household. However, these cases do not carry the risk of large-scale, organized fraud. Investigations into Minnesota's fraud have focused primarily on the providers due to the scale of fraud but revealed that families were induced into enrolling their children at facilities that were not providing care through the payment of "kickbacks" paid directly to the families by providers.

LOFT observed OKDHS' process for verifying the eligibility of an applicant for the child care subsidy, comparing the actions of the worker to OKDHS' policies for verification. LOFT must disclose that its observations were within a staged observation environment that included members of OKDHS' executive staff being present and available for questions, as well as the cases being prepared for observation. Therefore, LOFT's observations reflect what the agency demonstrated under controlled observation and may not be an accurate depiction of the day-to-day activities of the agency.

LOFT observed an AFS worker on a live call with a parent requesting to be a first-time recipient of the Child Care subsidy as well as a renewal of a client who was currently receiving the subsidy. In both cases, the OKDHS worker:

☒ **Contacted the employer to verify income and work schedule**

New Applicant (Client 1): Real-time verification by phone led to identification of a difference from the hours stated by the applicant, who is to provide a written statement from their supervisor.

Renewing Applicant (Client 2): Income was verified on quarterly wage data already in the system but there was no verification of the current work schedule. A difference in the name of the employer was identified and the worker called the employer to verify.

☒ **Required the five-digit identifier for the daycare provider to confirm the provider is a contracted provider eligible to receive the subsidy payment from OKDHS.**

New Applicant (Client 1): The applicant was advised that a contracted provider must be selected prior to the approval of the subsidy.

Renewing Applicant (Client 2): There was a provider listed in the client's file but the OKDHS worker did not confirm that the provider on record was still the provider of choice for the client.

☒ **Confirmed documentation or advised the client of missing documentation**

New Applicant (Client 1): DHS identified missing documentation during the live call and communicated steps to resolve. A follow up letter was sent to be physically mailed to the client.

Renewing Applicant (Client 2): LOFT was advised that DHS' system generates an automated text to a subsidy-receiving client if there is missing information.

In comparing the OKDHS worker's actions to the tasks described in OKDHS' internal policies for eligibility determination protocol, LOFT observed the following actions were either not done or partially done.³⁹

³⁹ Appendix items J-N present excerpts from the Verification Guide DHS provides as a training resource to its employees. Document: Verification Guide Child Care, current as of May 6, 2026.

OKDHS Required Action	Status	LOFT Observation
Verify household composition for income consideration. <i>(note: for the purpose of eligibility, household income only considers the income of the applicant's spouse or the child's legal caretakers)</i>	Partial	OKDHS did not ask nor verify the other adults in the household, but did ask the client to confirm whether they were receiving child support from the absent parent.
Verify household resources (assets), which cannot exceed \$1 million.	Omitted	OKDHS did not ask either client to verify the value of household assets.
Inform the client of requirement to report within 10 calendar days when household income exceeds income eligibility threshold.	Partial	OKDHS did not advise the client on either call of this requirement. However, after the call the worker prepared a letter to mail to the client with this information.
Inform the applicant about the electronic benefit transfer responsibilities including viewing the training video.	Omitted	OKDHS did not inform the first-time applicant of the responsibilities or the training video.
Verify the identity of applicant	Partial	OKDHS did not directly verify the applicant's identity. OKDHS' system has a field to record the applicant's Social Security Number, but that field was blank. OKDHS' policy at the time of observation required identity be verified with one of the following: birth certificate, driver's license, paycheck reflecting the applicant's name, voter registration card, school records, or U.S. passport. The OKDHS worker had a copy of pay records with the applicant's name.

In addition to the observed policy deviations, LOFT identified processes that could be strengthened to reduce risk for fraud and abuse:

- OKDHS policy is to inform applicants of the income ceiling to maintain benefits, and that they are to report to DHS if their income exceeds that limit. This information could be exploited to fraudulently under report income to maintain the benefit. Fraud case data reviewed by LOFT provides examples of recipients using fraudulent paystubs to reflect lower pay or failing to disclose a spouse's earnings. **LOFT recommends OKDHS verify income on a monthly basis and request a waiver from the federal government to reassess eligibility as needed.**
- OKDHS' system generates an exception code whenever there is a discrepancy between the income in the system and what is being reported by the client. Fraud case data reflects these

system alerts can be useful in fraud detection. However, these exceptions remain in a separate queue and are deprioritized behind new applications. Additionally, OKDHS workers sometimes clear the system's error message without forwarding it on for investigation, as demonstrated in a case reviewed by LOFT. ***LOFT recommends that OKDHS require system alerts pertaining to income discrepancies be forwarded to the agency's investigative unit before being cleared.***

- Applicants often submit photos of documents to OKDHS, which could limit the ability to detect fraudulent documents. ***LOFT recommends OKDHS adopt and train its workers on policies to reject any documentation that is blurred or unreadable, and to require the worker to verify all documentation as a standard practice.***
- LOFT observed blank fields within the client's child care file, including the Social Security Number for the applicant. LOFT was informed that many clients receiving the child care subsidy are often receiving other benefits through OKDHS, such as food assistance, and therefore the data exists elsewhere within OKDHS. ***LOFT recommends that information collected during the application for other benefits automatically be transferred over to the child care application to ensure completeness.***

Unpaid Provider Copayments Present Program Risk

With few exceptions, the Child Care Subsidy is not intended to completely cover the cost of the care.⁴⁰ Federal regulations require the Lead Agency in each state to establish a sliding, income-based fee scale for families receiving CCDF child care services. Oklahoma has set the maximum monthly copayment for a family at 5.6 percent of the family income.

OKDHS' policy requires the family share (copayment) be paid to the provider on the first day of the child's attendance each month.⁴¹

In its section titled "Client Expectations and Responsibilities," OKDHS' policy, as shown to the right, places all responsibility on the client to ensure proper and timely payments, with no consequences or support for the child care provider if this is not done.

"Finally, the client is expected to make all co-payments for subsidized care directly to you and on time. It is the client's responsibility to swipe the correct days and hours the child attends care. Providers should notify clients of attendance that needs correction in a timely manner. The client is expected to pay you for any times DHS will not pay due to missed swipes or care not covered by the child's authorization."

- OKDHS Child Care Subsidy Provider Handbook, Section I

There is no written penalty for parents who fail to make their copayment. Child care subsidy recipients are required to read and sign Form 08MP003E, shown below. Included in the attestation of understanding is a statement that he or she "must pay my family share copayment directly to my provider when I owe a copayment."

⁴⁰ OKDHS waives the copayment for foster children, children receiving Temporary Assistance for Needy Families or SSI, and children under six years of age who are adopted from OKDHS foster care.

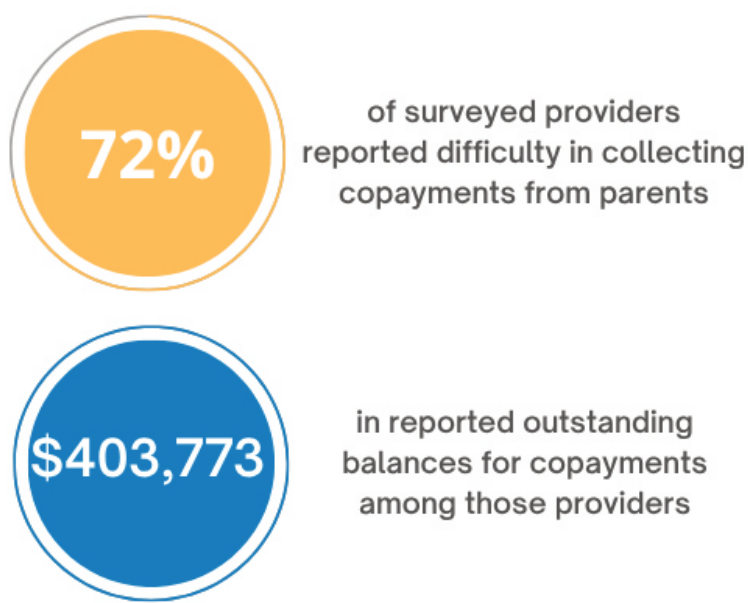
⁴¹ DHS Child Care Subsidy Provider Handbook, Section E.

Read these Statements if You are Applying for Child Care Subsidy

I understand I must:

- choose a child care provider that has a valid contract with OKDHS;
- not choose a one-star child care center;
- not choose a child care home for which I work;
- record attendance every day my child attends child care;
- never record attendance for hours outside my OKDHS approved schedule;
- never record attendance for any days or times my child does not attend child care;
- never give my EBT card or personal identification number (PIN) to anyone, including my child care provider;
- contact my worker if I receive a "denied" or "pending" message when I record my child's attendance;
- pay my family share copayment directly to my provider when I owe a copayment;
- pay for child care OKDHS will not pay because:
 - I did not record correct attendance for the days and times my child attended child care;
 - I received a denied message and I did not correctly record my child's attendance within 10 calendar days; or
 - my provider loses the absent days payment because I did not record correct attendance for every day my child attended that month;
- report changes in my need for child care;
- report if my child no longer attends child care; and
- report when I change child care providers.

The applicant must sign and date the form. In doing so, they “declare under penalty of perjury that all of the information [they] gave to OKDHS to complete this application is true and correct and ***that [they] agree to all the rights and responsibilities listed above***” (emphasis added). Those rights and responsibilities include paying a copayment to the provider. OKDHS informed LOFT the agency calculates the amount of days that should be paid by the client and then begins its reimbursements after that determination. OKDHS’ position is that the copayments are between the client and the provider, and as such, the agency does not verify that copayments have been made in accordance with the agreement.

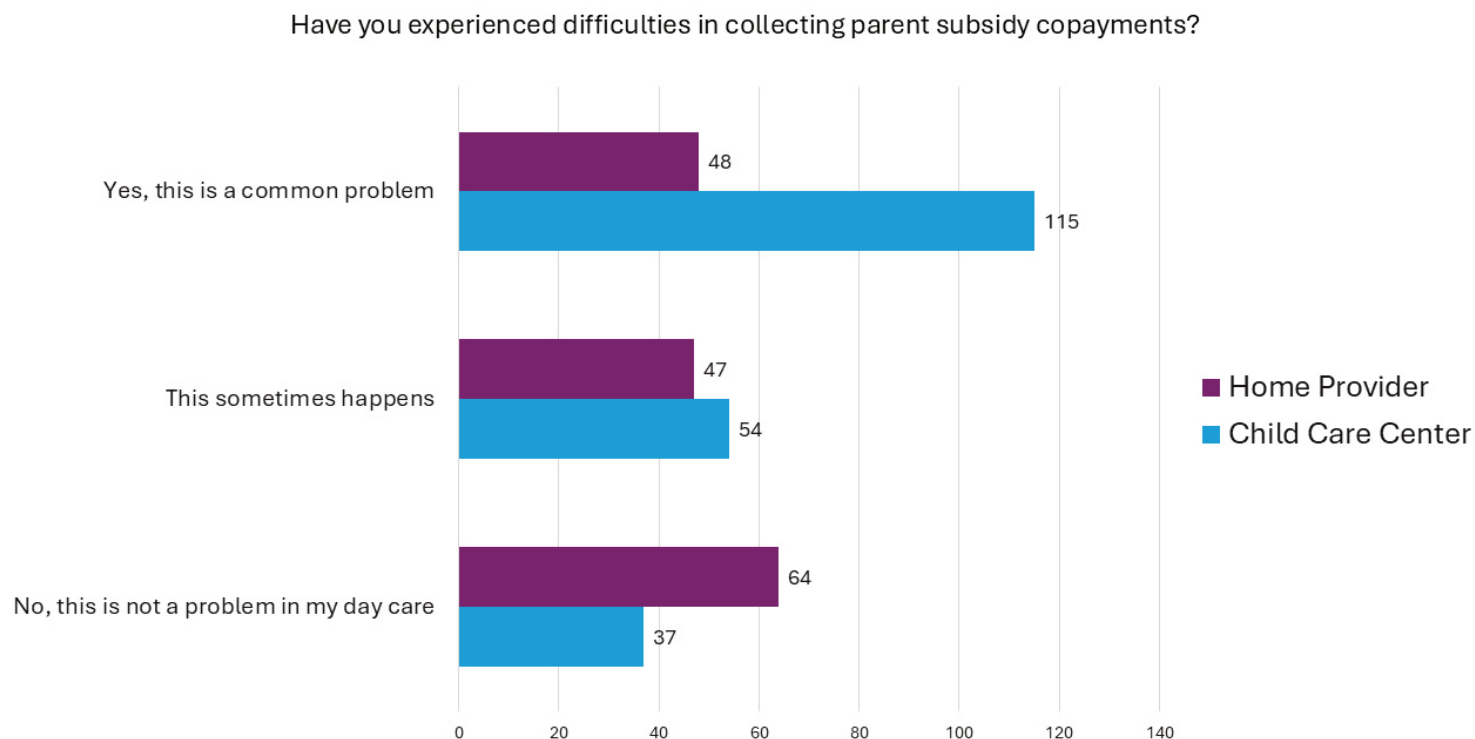


LOFT’s survey of child care providers revealed that 80 percent of providers receiving the subsidy have clients who are responsible for a share of their child care costs. However, provider responses show that many are not reliably receiving those payments. Of the 367 complete survey responses received, 95 child care providers had outstanding copayment balances exceeding \$1,000, with seven providers reporting outstanding balances of more than \$10,000. Collectively, the surveyed providers reported unpaid copayments totaling \$403,773.⁴²

Of the respondents who have clients responsible for making copayments directly to the child care providers, 82 percent of providers in child care centers and 60 percent of providers in homes experienced difficulties in collecting the subsidy copayments from parents.

⁴² Appendix A describes the survey methodology.

Exhibit 8: Child care providers in both child care centers and child care homes reported difficulty in collecting the copayment amounts due from subsidy-receiving parents.



Source: LOFT analysis of survey results from 367 survey respondents.

Additionally, even when copayments are made, providers reported they are not often timely. The majority of child care centers (61.3 percent) and plurality of home providers (49.3 percent) each indicated that parents “sometimes” submit copayments on time, defined by OKDHS as the first day of attendance each month. Thirty percent of both child care center and home providers reported they never receive copayments on time.

There are two main risks related to copayments not being remitted in accordance with the subsidy agreement: first, it creates solvency risk to the child care providers who the state has an interest in being available to provide child care to eligible families, and second, the financial pressures may provide an incentive for child care providers to recoup the losses through other means, such as agreements with the family to alter attendance records or submitting incorrect information to OKDHS.

In not confirming copayments from clients to providers, OKDHS is enabling violation of the program rules it established. OKDHS’ policy is to pay the rest of the family’s cost only **after** the family renders the copayment to the provider.⁴³ Administrative rules reiterate this order, stating, “The family share copayment is applied **before** OKDHS pays a child care subsidy.”⁴⁴

Only 14.7 percent of survey respondents indicated that they terminate the parents who fail to make copayments. It could be reasoned that failure to ensure parent copayments are made constitutes non-compliance with the program. However, Oklahoma administrative rules do not cite delinquent parent copayments as one of the reasons for benefit termination.

⁴³ DHS Child Care Subsidy Provider Handbook, Section E.

⁴⁴ OAC 340:40-5-1.

A review of regional states found that only Colorado imposed any kind of warning of consequences for parents who fail to make copayments. The website for Colorado's Department of Early Childhood states that if a parent fails to pay, "child care benefits may end and you may be unable to receive benefits in the future."

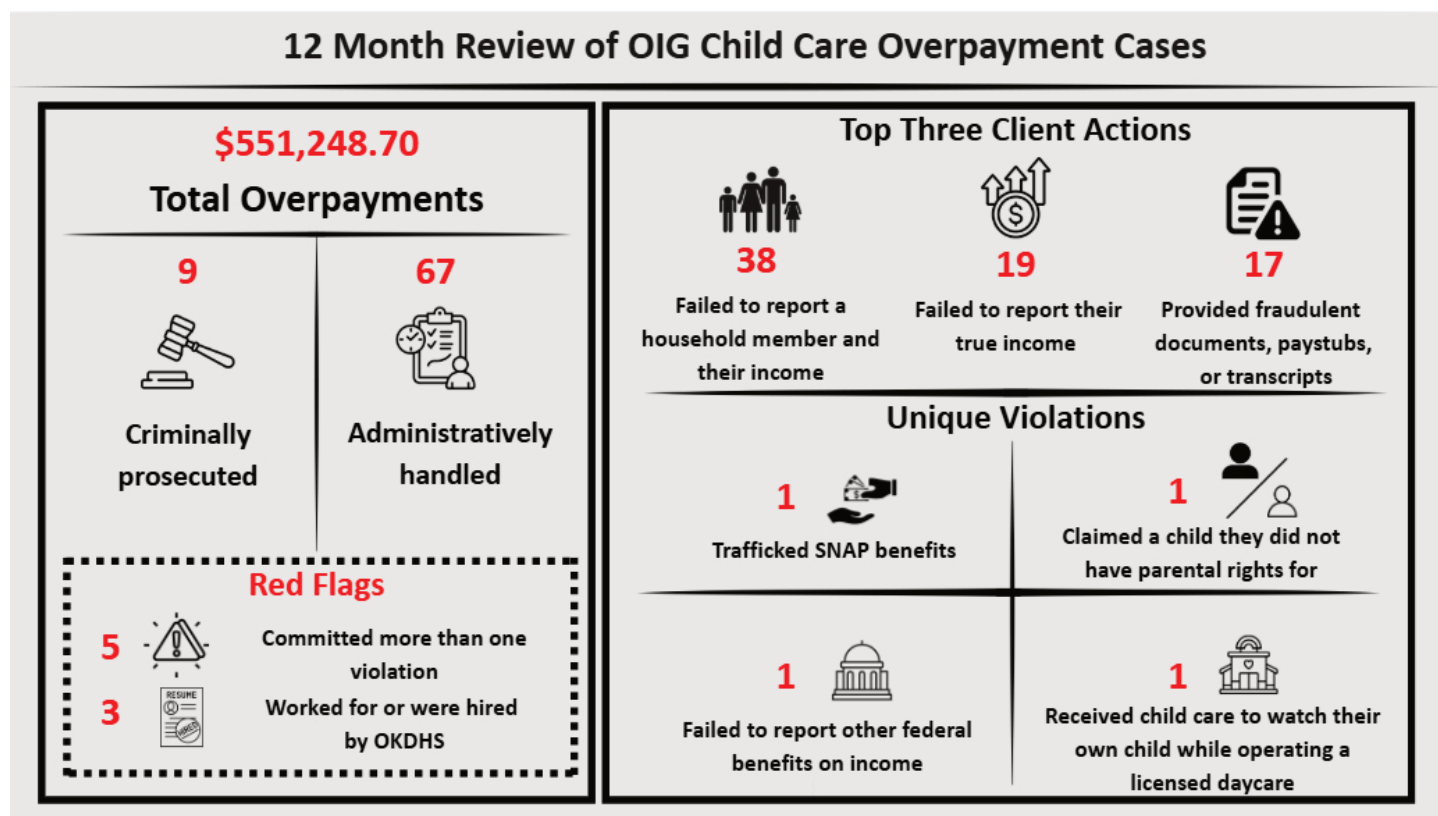
OKDHS should re-evaluate its role in ensuring program compliance and enforcing the agreement it executes with parents in exchange for receiving the child care subsidy, as unpaid balances could impact the program's overall success.

Finding 2: Efforts to Prevent and Detect Fraud within the Child Care Assistance Program are Compartmentalized, and When Fraud is Found, DHS is Reluctant to Criminally Pursue

Based on a review of referrals, administrative cases, criminal cases, and investigative audits, LOFT finds OKDHS inconsistent in its decisions to label an action as criminal fraud, potentially allowing fraud and waste to occur at levels much higher than reported throughout all benefit programs. OKDHS uses strong language in its documents, including calling actions “intentional” and labeling things as “fraud.” Additionally, the documents show that most clients admit to wrongdoing. Despite often having an admission of guilt and documentation, OKDHS does not submit the majority of cases for criminal fraud prosecutions. OKDHS’ preference for administrative recoupment over prosecution likely increases the brazenness of clients committing fraud against OKDHS benefit programs as often the cost of being caught is only repayment.

Additionally, OKDHS misses opportunities to limit the ability of fraudsters gaining access to public funds by not training and requiring frontline workers to identify and report signs of fraud.

Exhibit 9: LOFT’s review of 12 months of OKDHS cases in which an overpayment was determined.



Source: LOFT’s creation based on data provided by OKDHS OIG.

Minnesota’s legislative investigation revealed that high-ranking government officials were made aware of “credible, systemic fraud concerns” across multiple programs, including the Child Care Assistance Program administered by its Department of Children, Youth, and Families yet failed to act on those concerns and further intimidated or retaliated against employees who raised concerns.⁴⁵ The

⁴⁵ “The Cost of Doing Nothing: How Tim Waltz and Keith Ellison Fueled Minnesota’s Fraud Explosion,” Staff Report by the House Committee on Oversight and Government Reform Majority Staff, June 8, 2026.

investigative committee’s findings questioned the effectiveness of Minnesota’s oversight of federal funds and the sufficiency of safeguards against fraud and abuse.

In Minnesota, inaction against fraud when initially suspected led to greater exploitation of the Child Care Assistance Program by fraudsters, as well as leading other programs with similarly weak oversight to be targeted for fraud.⁴⁶ To assess whether such risks exist in the Child Care Assistance Program overseen by OKDHS, LOFT examined the various levels of accountability and controls, OKDHS’ whistleblower protections, and how OKDHS’ Office of the Inspector General handles cases of suspected fraud.

Both the federal and state government have a role in accountability over Oklahoma’s administration of the Child Care Assistance Program: the federal government reviews a sample of documents provided by the State and the State Auditor and Inspector conducts a review of the program as part of its annual compliance audit report of state agencies that oversee major federal programs. However, the most critical oversight happens at the state agency level, where processes and people are put in place to ensure the program’s integrity.

Federal Oversight

Federal regulations require all states to submit a payment error rate review on a triennial rotational basis.⁴⁷ This requirement is a byproduct of the congressional Payment Integrity Information Act, which requires executive branch agencies to determine the risk for improper payments for any program costing more than \$10 million.⁴⁸ Each state must randomly select 276 cases for review and include information about the number of cases with an error or improper payment. Federal regulations also require states to provide a description of the system used by the state to identify or mitigate improper payments.

States with error rates that exceed the federal threshold of 10 percent must submit a corrective action plan to the U.S. Assistant Secretary of Health and Human Services.⁴⁹ The error rate review is a so-called “desk audit,” where no one external to OKDHS is contacted to review the information in the case file.⁵⁰ As demonstrated in the table below, Oklahoma’s child care subsidy error rate has varied widely since the state began reporting it in 1998. For the majority of its record, the error rate has exceeded 10 percent, but since 2018, Oklahoma’s error rate has been consistently under the 10 percent threshold.



U.S. Department of Health and Human Services

Reviews a sample of state case data to assess frequency of payment errors or improper payments. Also reviews description of a state’s system used to identify or prevent improper payments.



Oklahoma State Auditor & Inspector

As part of the office’s annual Single Audit Report, SAI audits OKDHS’ compliance with federal program requirements and assesses the internal controls supporting that compliance.



Oklahoma Department of Human Services

Responsible for program integrity: ensuring enrollees are eligible, ensuring child care providers are eligible, and ensuring proper and accurate payments.

⁴⁶ Waste, Fraud, and Abuse in Minnesota, 2025-2026 Session Report, p. 21.

⁴⁷ 45 CFR Part 98 Subpart K. Oklahoma is in the first of three cohorts of states that are reviewed on a rolling three-year schedule. Review periods follow the federal fiscal year of October 1 through September 30.

⁴⁸ PIIA, P.S. 116-117.

⁴⁹ 45 CFR Part 98 Subpart K.

⁵⁰ Data received from DHS on March 13, 2026.

YEAR	ERROR RATE	YEAR	ERROR RATE
2025	4.54%	2011	11.95%
2024	5.05%	2010	8.57%
2023	5.35%	2009	10.01%
2022	4.70%	2008	8.57%
2021	6.12%	2007	4.51%
2020	9.49%	2006	3.23%
2019	2.89%	2005	4.48%
2018	9.13%	2004	30.29%
2017	16.88%	2003	59.08%
2016	25.33%	2002	59.68%
2015	22.78%	2001	59.99%
2014	22.16%	2000	57.65%
2013	11.76%	1999	48.54%
2012	17.16%	1998	65.10%

Exhibit 10: Oklahoma’s Error Rate Review of Child Care Subsidy Payments. (Oklahoma’s error rates have dramatically declined since the State began reporting it in 1998, with the most recent review reporting a rate below five percent.)

Source: OKDHS data fulfillment, March 13, 2026.

A state’s error rate is not a reliable indicator of fraud. The reviews might identify weak points in a state’s process that could leave it susceptible to fraud, but the reviews cannot establish fraud. Nor should a low error rate be taken as evidence of the absence of fraud. As the Minnesota Legislative Auditor noted in its assessment of internal controls:

“While the improper payment case reviews meet the federal DHHS objective for determining improper payment rates and a national payment error rate, we think that the reviews are too limited for quality assurance purposes in that they do not assess whether the state or case workers could have used additional, independent data sources to determine eligibility. We also note that, although the federal government sets the sample sizes for this process, we think that the number of cases reviewed is too small and insufficient to fully assess program integrity for a program of this size. In fact, some counties may only have one case audited per year.”⁵¹

State Oversight

Oklahoma’s Office of the State Auditor and Inspector conducts an annual audit of key federal programs administered by State agencies, which includes several programs administered by OKDHS under the category of child care and development. The Single Audit is not a comprehensive audit, instead focusing on the internal controls over compliance with requirements of the law for each program.

The 2023 Single Audit Report included five findings describing deficiencies in OKDHS’ internal controls related to child care and development programs.⁵² One of the findings pertained to the system that OKDHS uses to compare information provided by the client with external sources, such as the IRS, the Social Security Administration, and U.S. Citizenship and Immigration Services. The Auditor’s office

⁵¹ Minnesota Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Internal Controls, April 10, 2019.

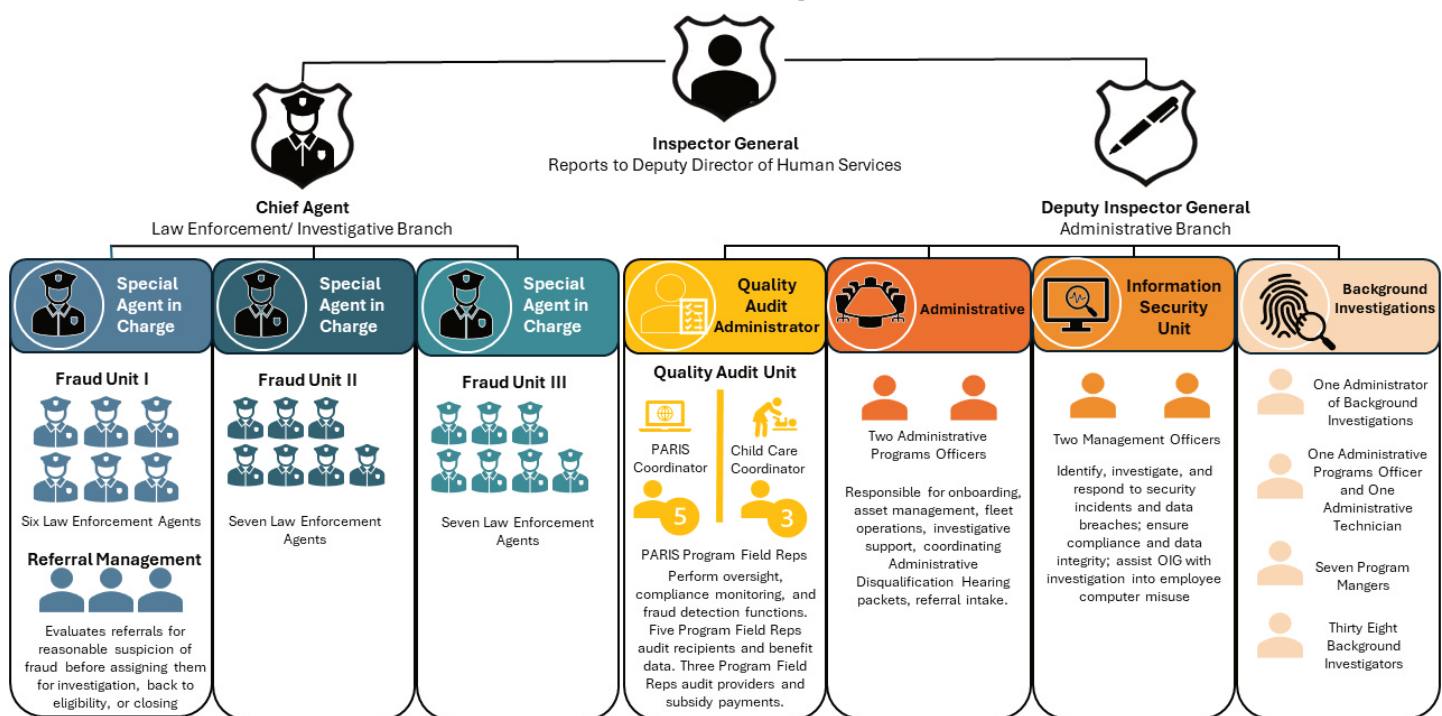
⁵² Appendix Q provides a summary of the five findings from the SAI 2023 Single Audit Report.

found that discrepancies flagged by the system were not handled in a timely manner and the clearance of the system's flagged discrepancies were not monitored by management, potentially providing program benefits to ineligible individuals.⁵³

Oversight Within OKDHS

Federal regulations require the Lead Agency to identify fraud, investigate and recover fraudulent payments, and impose sanctions on clients or providers.⁵⁴ The Lead Agency is also required to prevent improper payments.⁵⁵ Improper payments include any instance where a client or provider receive more benefits than entitled to, whether due to fraud or error. The entity responsible for pursuing fraud and overpayments in Oklahoma is the Office of the Inspector General (OIG), which is a department within OKDHS.⁵⁶

OKDHS Office of Inspector General



Source: LOFT creation based on data provided by OKDHS OIG and Workday.

Notes: PARIS is the acronym for the Public Assistance Reporting Information System, a federal data matching program.

The Inspector General reports to the executive leadership of the Oklahoma Department of Human Services. The Office of the Inspector General is split between a law enforcement/investigative branch under the Chief Agent and an administrative branch under the Deputy Inspector General, both of whom report directly to the Inspector General.⁵⁷

Under the Chief Agent, the law enforcement/investigative branch currently has three Special Agents in Charge (SAC). One SAC oversees six law enforcement agents and three Referral Management Program Field Representatives. The second and third SACs each oversee seven law enforcement agents. The

⁵³ Finding 2023-070, State Auditor & Inspector 2023 Single Audit Report.

⁵⁴ 45 CFR §98.68.

⁵⁵ *Ibid.*

⁵⁶ OAC 340:65-9-4.

⁵⁷ DHS Data Fulfillment; OIG Organizational Chart.

Referral Management Program Field Representatives evaluate the referrals in the OIG Control Database for initial reasonable suspicion of fraud and then recommends the complaint for investigation by OIG, sends the complaint back to Adult and Family Services to address an eligibility issue, or closes the referral.⁵⁸

Under the Deputy Inspector General, the administrative branch has a Quality Audit Unit, Information Security Team, two Administrative Program Officers, and a Background Investigations unit. The Background Investigations unit currently has 38 background investigators to conduct investigations for licensed child care providers, foster and adoptive families, trial reunifications, guardianships and Oklahoma Human Services staff. OIG stated they house all background investigators rather than decentralizing them across specific units they support for quality control, uniform application of requirements, and effective oversight.⁵⁹ Among OIG's total staff, there are four dedicated to fraud within the Child Care Assistance Program.⁶⁰

OKDHS' administrative rules define the purpose and scope of OIG as "oversight and preservation of the integrity of OKDHS programs and services through prevention, investigation, and detection of waste, fraud, and abuse."⁶¹ The division is also tasked with investigating other crimes against OKDHS and auditing grant recipients, grant vendors, and OKDHS divisions and units for program compliance and performance.

Fraud Detection

OKDHS conducts child care payment audits. According to the FFY 2025-2027 CCDF State Plan (State Plan), an Improper Payments review process is conducted every three years, during which time the Child Care Subsidy unit conducts monthly random case audits. Additionally, the OIG Child Care Audit Unit conducts ongoing audits of child care providers for appropriate use of funds. These audits are based on referrals, random samples, or suspicious activity on the electronic benefit card. Program violations identified during the audit are sent to the Finance and Child Care Subsidy units for further action, which may include repayment and cancellation of the provider's subsidy contract. When audit results determine fraud, the case is referred to the OIG Investigations Unit.⁶²

OKDHS Finance Department internal audit division looks for inconsistencies in the transactions compared to the benefit approved. For example, OKDHS may flag a transaction for further review when the reimbursement amount is higher than expected for a child that has restricted access to care. Per OKDHS rules, the child care subsidy is only available during times when the parents are working, looking for work, or obtaining education or training. A red flag may present if OKDHS knows that the parent only works Monday through Wednesday, but the child received the subsidy for all five days.

OIG's referrals regarding fraud come from clients, the public, OKDHS caseworkers and out of state caseworkers, law enforcement, the agency's Benefit Integrity and Recovery staff (BIRS), licensing workers, or OIG Agents and support staff using fraud analytic software and data matches.⁶³ Channels to report include the toll-free fraud hotline, the OIG direct line, OIG email box, and US Mail.⁶⁴

One way fraud is spotted by case workers is through a G1DX error, which alerts the worker that the Client's reported income does not match available state data. This is the system flag identified by the

⁵⁸ DHS Data Fulfillment; OIG Investigation Process.

⁵⁹ OKDHS Agency email correspondence to LOFT on June 18, 2026.

⁶⁰ The four dedicated positions are the Child Care Coordinator and three PARIS program field reps.

⁶¹ OAC 340:2-7-1(a).

⁶² FFY 2025-2027 CCDF State Plan, p. 151.

⁶³ DHS Data Fulfillment; OIG Investigation Process.

⁶⁴ *Ibid.*

State Auditor and Inspector in the 2023 Single Audit Report as not being handled in a timely manner or with proper oversight. According to the Adult and Family Services (AFS) Worker's Responsibility page, their best practices in order to "prevent[] and detect[] fraud" includes responding to G1DX errors rather than ignoring them.⁶⁵ However, in a meeting with LOFT, OKDHS management stated G1DX errors go to their own queue, and the agency prioritizes getting benefit applications approved or renewed so there is frequently a G1DX error backlog.⁶⁶

Through its AFS Pre-Academy, OKDHS provides a list of tools caseworkers can use to prevent and detect fraud.⁶⁷ However, during field work, LOFT was told by a supervisor of caseworkers that caseworkers do not do this as they "are not investigators."⁶⁸ Further, AFS stated they do not have access to Oklahoma Tax Commission or Service Oklahoma records.⁶⁹ AFS stated that it is not a formal policy requirement to contact employers by phone for verification but rather best practice.⁷⁰ AFS launched a First Contact Resolution and Verification Guide in approximately August 2017; the guide "encouraged staff, when possible, to contact employers by phone."⁷¹

When making a referral to OIG regarding a reasonable suspicion of an overpayment within OKDHS benefit programs, case workers are trained to question the probable overpayment amount. If they think it is less than \$5,000 they are encouraged to submit the report to the Benefits Integrity Recovery Section (BIRS) instead of OIG.⁷²

OIG Fraud Investigation Process

Each referral is entered into OIG's Control Database by an Administrative Programs Officer. The Referral Management unit reviews the referral and decides whether the complaint meets the level of reasonable suspicion for fraud, then decides and recommends the referral to assignment for investigation, to the proper division, county, or AFS worker to address eligibility issues, or recommends closing due to no program violation. In cases where an investigation is recommended, a Special Agent in Charge further evaluates the referral before determining whether to assign it to an agent for investigation.⁷³

After an investigation, "if there is information indicating fraud occurred, the Special Agent in Charge may pursue an overpayment and/or prosecution."⁷⁴ The case first goes to Benefits Integrity Recovery Section (BIRS), which is housed under Adult and Family Services, to calculate how much of an overpayment occurred.⁷⁵ A Special Agent in Charge then determines whether to send the case for prosecution or for administrative recoupment using factors such as "strength of evidence, level of violation (misdemeanor or felony), and monetary amount of overpayment."⁷⁶

⁶⁵ "Office of Inspector General Overview," Adult and Family Services Academy.

⁶⁶ May 8, 2026; LOFT Fieldwork to observe AFS Client Call.

⁶⁷ "Office of Inspector General Overview," Adult and Family Services Pre-Academy. Appendix O contains a screenshot of the guidance provided by OKDHS to AFS workers regarding fraud prevention.

⁶⁸ April 24, 2026, LOFT Fieldwork to observe AFS eligibility.

⁶⁹ DHS Data Fulfillment; May 19, 2026.

⁷⁰ DHS Data Fulfillment; May 29, 2026.

⁷¹ *Ibid.*

⁷² Quest, OIG Referrals, Updated Making a Referral to the OIG; October 22, 2025.

⁷³ DHS Data fulfillment; OIG Investigation Process.

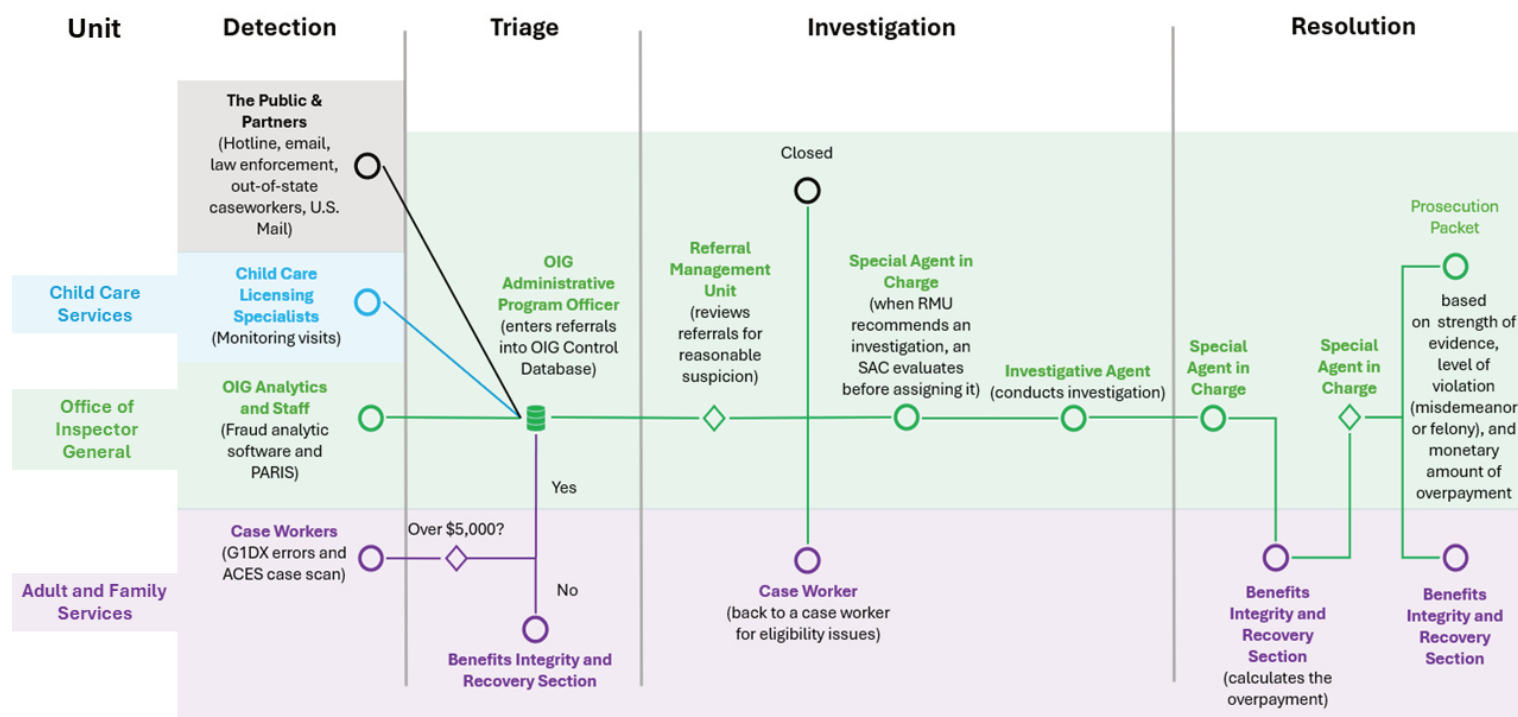
⁷⁴ OKDHS Agency email correspondence to LOFT on June 18, 2026.

⁷⁵ *Ibid.*

⁷⁶ OKDHS email correspondence to LOFT on June 18, 2026.

Exhibit 11: Various entities within OKDHS have a role in reviewing or investigating suspected fraud, which the agency calls referrals.

Fraud Referral Lifecycle



Source: LOFT creation based on data provided by OKDHS AFS and OIG.

DHS Treatment of Fraud

The State Plan also states that overpayments due to fraud are referred to the courts for prosecution. However, according to OKDHS OIG, most fraud cases end in administrative penalties, rather than criminal.⁷⁷ In Oklahoma, only courts can determine guilt and impose a penalty for fraudulently obtaining assistance.⁷⁸ Statute defines public assistance fraud as knowingly and willfully failing to report to OKDHS income, personal property, real property, household members, or “other material eligibility factors at the time of application or during the receipt of assistance...to which an applicant is not entitled or assistance greater than that to which an applicant is justly entitled...”⁷⁹ Fraud exceeding \$500 in public assistance is a felony offense, punishable by a fine of up to \$5,000 or prison time.

The Lead Agency (OKDHS) must identify and recover funds that are a result of fraud.⁸⁰ The agency has the option, but is not required, to recover funds as a result of unintentional program violations or agency error.⁸¹ According to the State Plan, OKDHS attempts to recover all established overpayments, regardless of amount.⁸² When overpayment is established, a payment plan is arranged between the provider or the client and OKDHS. Providers can also choose to have a percentage of their payments recouped to repay overpayments.⁸³

⁷⁷ Meeting with Oklahoma Department of Human Services on March 11, 2026.

⁷⁸ OAC 340:65-9-4(b).

⁷⁹ 56 O.S. § 185.

⁸⁰ 45 U.S.C. 98 G(i).

⁸¹ FFY 2025-2027 CCDF State Plan, p. 151.

⁸² FFY 2025-2027 CCDF State Plan, p. 152.

⁸³ FFY 2025-2027 CCDF State Plan, p. 151.

If a client was approved in error due to intentional violations or fraud, the eligibility worker closes the child care assistance and a computer-generated notice is sent to the client describing the reason for the closure, notifying them of their appeal rights. However, there is no disqualification time limit, allowing the client to reapply at any time.⁸⁴

Providers that violate policies are subject to subsidy contract cancellation. Again, there is no period of disqualification, allowing the provider to reapply for a subsidy contract at any time.⁸⁵

Exhibit 12: Outcome of Referrals to OKDHS.

Child Care Subsidy Clients	
325	referrals
\$551,249	in overpayments
76	cases
9	of which were referred for criminal prosecution
Child Care Providers	
36	investigative audits
\$25,392	in overpayments
0	referred for criminal prosecution

Source: LOFT creation based on data provided by OKDHS OIG.

Notes: Data reflects referrals and cases from April 2025 to April 2026.

LOFT reviewed OKDHS' internal investigations where an overpayment of the child care subsidy occurred and found that \$551,249 in child care subsidy funds were overpaid over a 12-month period. All but one of the overpayments were attributed to parents intentionally reporting inaccurate information on their application.⁸⁶

While some of OKDHS' investigative audits of providers revealed that providers were paid for days they should not have been, the amounts were small and not widespread. However, this may be attributable to the brief audit period, oftentimes around 6 months. LOFT did not observe any evidence in the audits that would suggest a kickback scheme between providers and clients, although anecdotally, LOFT was informed that providers and parents may make agreements for care outside of the formal OKDHS agreement, such as swapping days or waiving the parents' copayments in exchange for flexibility.

OKDHS OIG provided LOFT with 325 referrals and 76 cases of child care overpayments for a 12-

month period.⁸⁷ Across the 76 cases, \$551,248.70 was determined to have been overpaid and nine cases were referred for criminal prosecution.⁸⁸ Each of the nine cases were against clients. OIG confirmed that no providers were referred for criminal prosecution in the past 12 months.⁸⁹ LOFT was provided with 36 investigative audits of child care providers. Of those, 25 had overpayments totaling \$25,391.78.

Clients who became subjects of these cases either provided fraudulent paystubs, failed to state their true income, or failed to report another household member's income. Because the same application is used to apply for multiple benefits from OKDHS, such as SNAP, utility assistance, and the Child Care Assistance Program, in almost all cases, when there is an overpayment in one benefit program, there is an overpayment in all benefit programs the client is a recipient of.

⁸⁴ FFY 2025-2027 CCDF State Plan, p. 153.

⁸⁵ *Ibid.*

⁸⁶ OKDHS case data for 76 cases during a 12-month period beginning March 2026.

⁸⁷ The referrals, cases, and investigative audits are not the same 12-month period.

⁸⁸ Two cases that were criminally prosecuted had child care overpayments, but the child care portion was referred for administrative recoupment.

⁸⁹ OKDHS OIG email correspondence on May 15, 2026.

With each of the OIG's investigations, publicly available data such as that on the State's online court database or social media apps, as well as the Oklahoma Tax Commission and Driver's License databases, were used to substantiate the claims.

Below, LOFT provides overviews of OKDHS' actions for each of the categories of documents reviewed:

Investigative Audits

A review of 36 Child Care Facility Compliance Audits revealed substantiated allegations that meet the conditions for fraud that are not being prosecuted. Instead, OKDHS treated these actions administratively, labeling such behavior as contract/policy violations. Out of 36 cases, 25 cases had overpayments totaling \$25,391.78. The overpayments ranged from \$23.50 to \$4,649.10. However, the audits are for a limited period of time – usually one month - likely under-representing the amount of fraud that is occurring. Among the 36 audits, the following three present the most substantial examples of likely fraud:

In January 2026, an investigative audit of a metro area five-star daycare was conducted after a referral alleged clients were being asked to enter in electronic attendance for children on days when they did not attend. There were also allegations that the daycare had access to clients' EBT cards. When OIG asked for attendance records, the provider was unable to provide any. The OIG's findings substantiated the claims and found \$3,101.60 in overpayments had occurred over a period of four months. This was the provider's second violation. However, OIG's response was to determine that a contract/policy violation had occurred and notify the provider that OKDHS could cancel their contract. OKDHS canceled this provider's contract on March 28, 2026.

In February 2026, an investigative audit of a rural based five-star daycare was conducted after a referral alleged the provider was asking parents to "swipe their children into daycare on days they aren't present." OIG substantiated the claim after interviewing three clients who confirmed they were asked by the provider to enter attendance data for their children on dates they had not attended. An overpayment amount of \$2,656.30 was found during the one-month audit period. OIG informed the provider they were in violation of their contract and that OKDHS Child Care Subsidy personnel would determine what action, if any, would be taken regarding the continuation of the provider's contract. OKDHS canceled the provider's contract on May 25, 2026.

In February 2026, an investigative audit of a metro area four-star daycare was conducted after a referral claimed the daycare was allowing children to be swiped in when the facility was closed. OIG substantiated this claim and also found other attendance billing violations that resulted in overpayments totaling \$4,630 during the audit. Further, the daycare was found to be operating over its capacity. OIG informed the provider they were in violation of their contract and policy. OKDHS canceled the provider's contract on May 25, 2026.

Notably, one provider would not allow OKDHS to audit them; a violation of OKDHS rules.⁹⁰ A review of the DHS Child Care Locator shows that daycare is no longer licensed by OKDHS.

⁹⁰ OKDHS data fulfillment; 26-103 Compliance Audit Report. OKDHS Policy 340:40-13-5(h)(22) requires providers "to allow full access to the facility's premises and personnel to investigate a complaint."

Referrals

LOFT reviewed 12 months of referrals entered into the OIG Control Database, which totaled 325 referrals. At the time of review, 48 were still open and being actively investigated. Only 34 were labeled as “Closed – Fraud with Overpayment.” The remaining 243 were closed for either “insufficient evidence of fraud” or “eligibility issue referred to AFS.” In total, 197, or 61 percent, of cases were closed for “insufficient evidence of fraud.”

The Referral Management Unit does not appear to be using the reasonable suspicion standard when deciding whether to investigate. For example, in one referral the facts provided by the caseworker through data pulls definitively showed the Client failed to report another household member and their income; a violation and indication of fraud. The

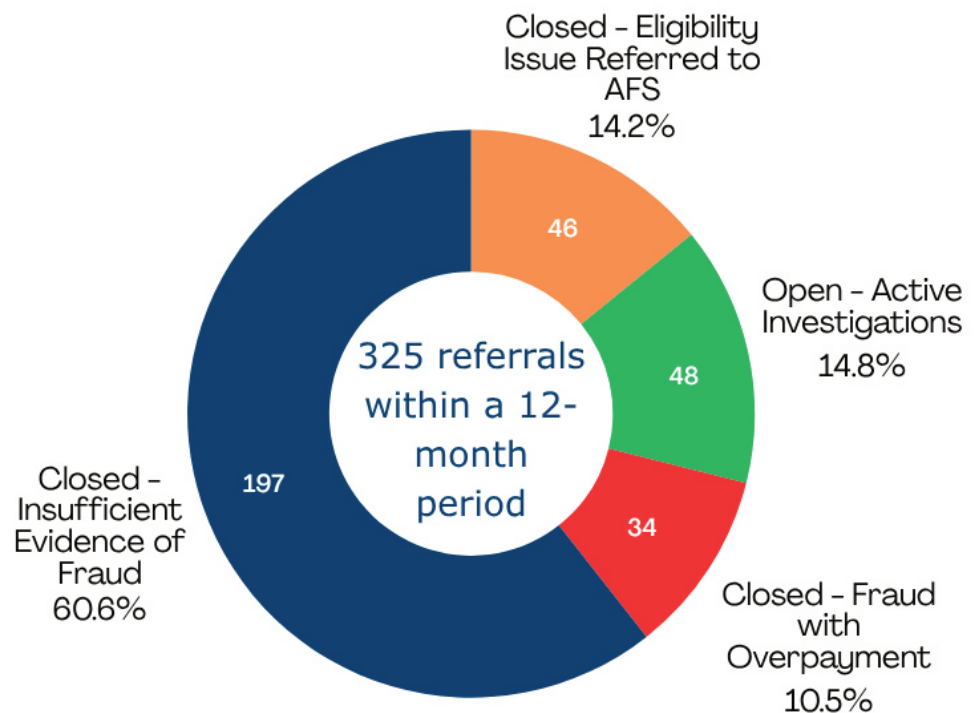
caseworker believed the Client was continuing to do so and the Client received “a lot of benefits” that she was not entitled to.⁹¹ The documents leave no question that the referral reached the level of reasonable suspicion. However, the referral was closed because there was no marriage record and the additional household member’s Facebook profile was not active. Therefore, it was determined there was insufficient evidence of fraud. The information in the system provides no indication that driver license data or visual observation of the residence occurred.⁹² Some closure comments simply state “there is not enough clear and convincing evidence.”

In another referral, a case worker suspected that the Client was providing fraudulent school documents to receive child care. The caseworker noted that the Client stated the school doesn’t provide class schedules and that the Client later provided a document meant to mimic a transcript with the name of the Client cut out of the frame. The referral was closed because the caseworker “has not provided any verification that the school enrollment documents are fraudulent.”⁹³

Additionally, some referrals lead to the discovery of violations by child care providers, yet there is no indication anything was done regarding those violations. For example, one referral was closed when

Exhibit 13: OKDHS Action on Referrals. (LOFT’s review of 12 months of referrals found the majority were closed to insufficient evidence of fraud.)

OKDHS Action on Referrals



Source: LOFT creation based on data provided by OKDHS OIG.

Notes: Data reflects referrals to OIG from April 21, 2025-April 21, 2026.

⁹¹ DHS Data Fulfillment; OIG Case Information 6-15-2026; 260331007.

⁹² *Ibid.*

⁹³ DHS Data Fulfillment; OIG Case Information 6-15-2026; 260324015.

there was not enough evidence to show an overpayment, however, the closure notes state that the child care provider verified that they do not have a sign in sheet to track pick ups or drop offs, which is a provider program violation.⁹⁴

Criminal Cases

Of the criminal cases reviewed by LOFT, each of the cases that have been closed resulted in restitution and deferred sentences. In almost all cases, Food Stamp Fraud, 56 O.S. 243, is the primary charge. In some cases, Temporary Assistance Fraud, 56 O.S. 185, is also charged. Despite 56 O.S. 243 requiring “any district attorney who enters into a deferred adjudication or who negotiates for a deferred sentence with a defendant charged with a violation of the provisions of this section shall present the defendant with a disqualification consent agreement as part of the deferred adjudication or sentence” in at least three cases, no disqualification consent agreement was signed.

Criminal Cases

Case Number	Action 1	Action 2	Overpayment Amount
230915015	Failed to report household member and their income		\$56,080.50
240306014	Failed to report household member and their income		\$20,558.70
240517005	Provided forged/altered paystubs, transcripts, or other documents		\$345.00
240619015	Provided forged/altered paystubs, transcripts, or other documents		\$1,532.00
250428019	Failed to report true income of applicant		\$4,441.00
250613015	Failed to report true income of applicant	Failed to report household member and their income	\$16,056.70
220926046	Failed to report household member and their income		\$6,983.20
240819013	Provided forged/altered paystubs, transcripts, or other documents		\$7,429.00
240322014	Case expunged		\$40,572.00
			Total
			\$153,998.10

Source: LOFT creation based on data provided by OKDH OIG.

Notes: Data reflects referrals to OIG from April 21, 2025-April 21, 2026.

Overpayment amounts depict only that which is attributable to child care and not additional benefits the client wrongly received. The total amount of overpayment due to fraud across all benefit programs is \$270,766.90.

See Appendix R for the total amount of fraud for each case.

As a condition of receiving benefits from OKDHS, a Client must review and sign Form 08MP003E, which informs the Client of the legal penalties for making false or misleading statements; misrepresenting, hiding, or withholding facts; and trafficking of SNAP benefits or Access Oklahoma cards. It also notifies the Client that by signing the Form they are declaring “under penalty of perjury that all of the information [they] gave to OKDHS to complete [their] application is true and correct.” Under Oklahoma’s statutes, any person convicted of fraudulently obtaining assistance of \$500 or less is guilty of a misdemeanor and, if the value of assistance is greater than \$500, they are guilty of a felony.⁹⁵

⁹⁴ DHS Data Fulfillment; OIG Case Information 6-15-2026; 260416003.

⁹⁵ Appendix P provides full statutory citations for the penalties for fraudulently obtaining assistance.

Administrative Cases

LOFT's review of 67 administrative case files showed a high likelihood of fraud in all cases except one. In almost every case the term "fraud," or a synonym, and the term "intentional" was used. However, none of these were referred for criminal prosecution even when the amount was over ten thousand dollars. The overpayment amounts ranged from \$76.20 to \$37,670.90, with 13 cases exceeding \$10,000. Notably, most clients admitted to their actions during interviews with OKDHS. As with the criminal cases, the Client actions identified in the administrative cases fell into three major categories: provided fraudulent paystubs, failed to state their true income, or failed to report another household member and their income. However, there were a few unique instances:

In one case, the client owned and operated a daycare licensed by OKDHS. During that time, she applied for and was awarded the child care subsidy. The client received funds for caring for her own child at her own daycare, violating both program requirements as a daycare owner and as a client receiving benefits.

In a second case, the client claimed child care for her biological child that was adopted, cared for, and lived at a different residence. This client also trafficked her SNAP benefits.

In three separate cases, clients who were fraudulently receiving benefits worked for or were hired by OKDHS while being investigated for overpayments.⁹⁶

OKDHS Accountability and Controls

The internal investigative role of the OIG within Oklahoma's DHS is similar to the structure in place in Minnesota when the alleged – and in some cases proven – fraud was occurring. In both Oklahoma and Minnesota, the Office of the Inspector General reports to the leadership at the agency administering the programs.

As demonstrated in two recent investigative reports into Minnesota's oversight of assistance programs, this structure allows for agency leadership to restrain the OIG or limit the office's effectiveness.⁹⁷ As stated in the May 2026 report,

The "Administration's failure to hold anyone accountable for fraud, especially after having the benefit of the [Office of the Legislative Auditor] reports in March and April of 2019, is what enabled fraud to grow from an estimated \$5 - \$100 million in the childcare program to billions across multiple Medicaid services."

- 2025-2026 Session Report: Waste, Fraud, and Abuse in Minnesota

childcare fraud was the starting point for "multiple vectors of Medicaid fraud." Minnesota officials would later designate 14 program areas as high-risk.

In 2018, the Minnesota Legislature directed the Office of the Legislative Auditor to investigate fraud within the Child Care Assistance Program. It was later revealed that leadership of the state's Department of Children, Youth, and Families directed the supervisor overseeing the investigation to remove information from the report. After the investigator warned agency officials that such a request was illegal, the agency engaged in a series of retaliatory actions that led to the resignation of the investigator. After his departure, Minnesota's Department of Children, Youth and Families disbanded

⁹⁶ DHS Data Fulfillment; Administrative Case Files 251013021 and 250609011; Prosecution Case Files 250529014.

⁹⁷ 2025-2026 Session Report: Waste, Fraud, and Abuse in Minnesota; "The Cost of Doing Nothing: How Tim Waltz and Keith Ellison Fueled Minnesota's Fraud Explosion," Staff Report by the House Committee on Oversight and Government Reform Majority Staff, June 8, 2026.

the investigative unit and replaced it with a unit focused on administrative issues rather than criminal. With this change, the term “fraud” was replaced with “overbilling.”⁹⁸

Whistleblower Laws

In response to fraud revelations, Minnesota’s Legislature expanded whistleblower protections and recently established an Independent Office of Inspector General that will report directly to the Governor. The duties of the new statewide Inspector General include establishing standards and best practices for agency-level inspector generals and periodically reviewing agencies for compliance with these standards. Other duties include the promotion of data sharing between agencies to prevent and identify a suspected person from committing fraud against multiple agency programs. If the IG recommends improvements to any agency’s head or inspector general, that agency must report annually to the chairs and ranking minority members of the legislative committees with jurisdiction over the agency until the IG notifies the agency, the chairs, and ranking members that the recommendations are resolved. The IG can refer matters for civil, criminal, or administrative action to the OIG Anti-Fraud and Waste Bureau, the Bureau of Criminal Apprehension, the AG’s office, the USDOJ for federal prosecution, or other appropriate authorities. The new position must be appointed by February 1, 2027.⁹⁹

In 2023, the Minnesota’s Whistleblower Act was amended to broaden the definition of prohibited actions, rewriting it as “discipline, penalize, *interfere with*, threaten, *restrain*, *coerce*, or otherwise retaliate or discriminate against an employee regarding the employee's compensation, terms, conditions, location, or privileges of employment” (*Emphasis added*).

In 2025, the restriction of protection to classified employees only for one category was changed to protect all state employees: “communicat[ing] information that the employee, in good faith, believes to be truthful and accurate, and that relates to state services, including the financing of state services, to: (i) a legislator or the legislative auditor; or (ii) a constitutional officer.” Additionally, that same section was expanded to include fraud or misuse within state programs or services and expanded who information could be disclosed to, including (i) a legislator or the legislative auditor; (ii) a constitutional officer; (iii) an employer; (iv) any governmental body; or (v) a law enforcement official.¹⁰⁰

OKDHS confirmed to LOFT it has no agency-specific trainings or handouts related to whistleblowing.¹⁰¹ There is currently no Whistleblower Act in Oklahoma’s statute. Instead, statute tasks the Civil Service Division within the Office of Management and Enterprise Services (OMES) with creation of a confidential whistleblower program; this office acts as the central repository for all whistleblower retaliation complaints.¹⁰² Administrative code defines whistleblower complaints as “agency or employee mismanagement and the misuse of state funds or property.”¹⁰³ Further, it states all complaints are routed to the appropriate party for review and disposition. The OMES CSD website breaks complaints into four categories:

⁹⁸ 2025-2026 Session Report: Waste, Fraud, and Abuse in Minnesota; “The Cost of Doing Nothing: How Tim Waltz and Keith Ellison Fueled Minnesota’s Fraud Explosion,” Staff Report by the House Committee on Oversight and Government Reform Majority Staff, June 8, 2026.

⁹⁹ HF1338/SF856/CH92.

¹⁰⁰ Minn. Stat. §181.932 (2025).

¹⁰¹ DHS Data Fulfillment; Request List 3 Narrative Responses.

¹⁰² 62 O.S. § 34.301.

¹⁰³ OAC 260:130-11-1.

Whistleblower Complaints

Complaint Category	Reviewing Entity	Confidentiality
Criminal Misuse of State Funds or Property	Oklahoma Office of the Attorney General	Complaint must be filed through an online system that requires a user account
Discrimination	U.S. Equal Opportunity Commission	Complaint must be filed through an online system that requires a user account
Neither of the above, but within OMES' authority	OMES' Human Capital Management Division	Complaint must be filed through an online system that requires a user account
Fraud, Waste, or Abuse	OMES CSD and/or Risk Assessment and Compliance Division (RAC)	OMES CSD can refer to RAC or a whistleblower can directly submit through an online form, which provides the option to remain anonymous

OMES' Risk, Assessment, and Compliance division receives disclosures that are submitted to the Fraud, Waste, and Abuse portal, which is linked within the Civil Service Division page. However, this category is not prominent and the online website's guidance to employees is focused on complaints related to employer retaliation of whistleblowing and not the reporting of fraud, waste, and abuse. What LOFT found missing from the current whistleblower program are clear definitions of the activities covered under the whistleblower protection and adverse actions that an employee would be shielded from. Employees are also not empowered to report suspected activity directly to an authority.

Opportunities to Improve Fraud Prevention and Detection

Throughout this evaluation, LOFT identified opportunities for OKDHS to strengthen its ability to both prevent and detect fraud, which should begin with the agency incorporating fraud awareness and detection training into the Child Care Assistance Program and all of its program areas. LOFT observed an agency practice of compartmentalizing fraud to only certain positions, which overlooks the opportunities of personnel that have direct contact with clients or providers to identify potential fraud flags. For example, when accompanying OKDHS workers on monitoring visits to childcare providers, the workers looked only for violations that would cause a provider to lose its license or its quality rating. LOFT observed DHS workers examining an attendance sheet to confirm the number of children present but overlooking potential attendance violations and not questioning the age of older children in the care of the provider who appeared to be school age, who were being cared for during school hours.

In response to these observations, OKDHS confirmed to LOFT that there is no coordination or training provided by the agency's Office of the Inspector General to assist staff in identifying potential fraud risks.¹⁰⁴

OKDHS could also strengthen its Office of the Inspector General by:

- Transferring the staff from the Benefits Integrity Recovery Section to instead be under the OIG, as the unit determines overpayment amounts and leads collection efforts.¹⁰⁵
- Dedicating more personnel to the OIG's investigative branch, potentially reclassifying the current three program auditors under the Quality Audit Unit as additional law enforcement agents that could be available to conduct investigations.
- Adopting a clear position on the pursuit of fraud over administrative penalties.

To guard against agency personnel suppressing fraud concerns raised by its staff, the Legislature could also consider creating an independent statewide Inspector General position that is directly accountable to the Governor and who would increase the accountability of state-level inspector generals. In addition to the newly created role in Minnesota, LOFT found other states that have adopted the model of a State Inspector General that is directly accountable to the Governor: Massachusetts was the first state to create a statewide office for the prevention and detection of fraud, waste and abuse and continues to be the only office of this type with oversight into all municipalities within its state. New York and Florida also have a statewide Inspector General that is appointed by the Governor.

As demonstrated in Minnesota, fraud is a crime of opportunity, and when there is no deterrent to fraud, it scales. While Oklahoma's DHS has not yet experienced the level of fraud found in Minnesota, it is following some concerning trends such as choosing not to pursue criminal charges for fraud and instead handling cases administratively, with few consequences, and labeling fraudulent actions as overpayments.

LOFT's assessment focused on the risks to the Child Care Assistance Program, but if OKDHS does not prioritize fraud prevention and detection agency wide, then the risk is not just with the Child Care Assistance Program but with all assistance programs administered by the agency.

¹⁰⁴ LOFT meeting with OKDHS, April 24, 2026.

¹⁰⁵ OKDHS informed LOFT on July 31, 2026 that the Office of the Inspector General recently assumed responsibility for calculating an estimated overpayment amount for each referral before assignment for investigation, a function previously performed by the Benefit Integrity and Recovery Section (BIRS).

Summary of Policy Considerations and Agency Recommendations

The Legislature may consider the following policy changes:

- Require that OKDHS refer all cases that meet the statutory definition of fraud to the district attorney.
- Establish whistleblower laws that define protected activities and adverse actions against an employee.
- Add the Office of the Auditor and Inspector as a recipient of whistleblower complaints.

The Oklahoma Department of Human Services should:

- Adopt a clear position on the pursuit of fraud over administrative penalties.
- Submit all substantiated fraud cases to a District Attorney or Assistant United States Attorney first for potential criminal prosecution, with OKDHS pursuing recovery through administrative processes only if the case is declined.
- Institute new training and procedures to incorporate fraud identification into monitoring visits by licensing workers to child care providers.
- Require that any system alerts generated due to income discrepancies be forwarded to the agency's investigative unit for review before being cleared from the system and require Adult and Family Services workers to process G1DX errors within 30 days.
- Transfer the staff from the Benefits Integrity Recovery Section to the Office of Inspector General (OIG), as the unit determines overpayment amounts and leads collection efforts.
- Dedicate more personnel to the OIG's investigative branch, potentially reclassifying the current three program auditors under the Quality Audit Unit as additional law enforcement agents that could be available to conduct investigations.
- Adopt policies to reject any documentation that is blurred or unreadable and require verification of all documentation as a standard practice. Incorporate these policies into annual employee training.
- Ensure completeness of the applications for the child care subsidy by ensuring that information collected during the application for other benefits is transferred to the child care application.
- Use the agency's recently acquired access to a credit reporting service to verify income on a monthly basis, and also request a waiver from the federal government to reassess eligibility as needed.
- Expand its user agreement to include language prohibiting manipulation of the new app's ability to confirm physical attendance.
- Require OKDHS conduct an address verification of the responsible parent(s) or guardian(s) of the child through:
 - Entering into a memorandum of understanding with Service Oklahoma to use the State's driver's license database for address verification.
 - Coordinating with OKDHS' Child Support Services Division to confirm the last known address of the absent parent.
- Require that all referrals entered into the Office of the Inspector General's database include documentation of all attempts to assess the strength of the allegations.

- Periodically have OKDHS OIG test the strength of the agency's fraud detection by submitting fraudulent documents for OKDHS workers to process.
- In accordance with Administrative Rules and the State Plan, require child care providers attest to whether client copayments have been paid.
- Consider administrative action against clients that fail to remit copayments to providers.
- For providers whose actions are found to have intentionally resulted in overpayment of the Child Care Assistance Funds, reduce the provider's quality rating status and corresponding reimbursement rate by one level.

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Appendix A: Methodology

Stakeholders Engaged

- Oklahoma Department of Human Services:
 - Child Care Services Division
 - Adult and Family Services Division
 - Office of the Inspector General
 - Child care providers
- Licensed Child Care Association of Oklahoma
- Office of the State Auditor & Inspector

Summary of Investigations into Minnesota's Child Care Assistance Program

LOFT's research into suspected fraud in Minnesota's Child Care Assistance Program included a review of the following public reports and testimony:

- Child Care Assistance Program: Assessment of Fraud Allegations. A Special Review of the Office of the Legislative Auditor, March 13, 2019.
- Child Care Assistance Program: Assessment of Internal Controls. A Special Review of the Office of the Legislative Auditor, April 10, 2019.
- When Public Funds are Abused: Addressing Fraud and the Theft of Taxpayer Dollars, hearing of the House Judiciary Subcommittee on Crime and Federal Government Surveillance, January 21, 2026.
- Waste, Fraud, and Abuse in Minnesota. 2025-2026 Session Report. Minnesota Fraud and Prevention Oversight Committee, May 13, 2026.
- The Cost of Doing Nothing: How Tim Waltz and Keith Ellison Fueled Minnesota's Fraud Explosion. Staff report by the House Committee on Oversight and Government Reform Majority Staff, June 8, 2026.

Survey Methodology

LOFT disseminated a child care provider survey on May 1, 2026, and closed the survey on May 11, 2026. The survey was disseminated on LOFT's behalf by the Licensed Child Care Association of Oklahoma to its members on its social media page. The survey garnered 560 responses.

In order to preserve data integrity, LOFT removed two types of responses from analysis. First, LOFT removed the 180 survey responses that did not submit a provider identification number. Secondly, LOFT removed 13 duplicate responses, meaning the same provider identification number had submitted multiple responses. In instances where the same respondent submitted one fully complete survey and one blank, LOFT retained the complete response and removed the blank submission. In instances where the same provider submitted multiple complete responses, LOFT retained the most recently submitted answers and removed the older submissions.

Removing the 180 responses that failed to enter a provider identification number plus the 13 duplicate responses left 367 valid survey submissions. All analysis is based on these 367 responses.

In 2025, 54 percent of Oklahoma child care providers in Oklahoma were child care centers. Survey responses came from 56.6 percent child care centers and 43.4 percent home providers, reflecting a valid distribution of providers.

Methodology for Child Care Center Legitimacy Observations

LOFT conducted surveillance of six centers located within Oklahoma City. The centers were determined from a list obtained by the Oklahoma Department of Human Services of the ten child care providers receiving the highest annual amounts of the childcare subsidy funds. The remaining four centers were located outside of the greater Oklahoma City metropolitan area.

Using a standardized form, LOFT evaluators observed activity at each facility within a minimum one-hour period, either in the morning (7:30 a.m. – 9:30 a.m.) or late afternoon (3:30 p.m. to 5:30 p.m.) to correspond with typical timeframes for parents either dropping children off or picking them up.

LOFT focused its observations on evidence that the center was operational or signs that would lead to reasonable suspicion that the center is either not operating or operating at a level that matches the subsidy payments.

LOFT recorded the number of parents arriving with a child(ren) and then departing without the child(ren); the number of parents arriving without a child(ren) and then departing with a child(ren); adults coming and going from the facility without children; and the presence of an outside play area and whether children could be observed using the space.

Appendix B: Glossary of Terms

To aid in references and use of acronyms throughout this evaluation, LOFT provides the following glossary of terms:

Child Care and Development Fund (CCDF): The technical name for the child care subsidy funds. CCDF is the source of federal funding for the program.

Child care center: A child care facility that operates 30 or more hours per week.

Child care home: A child care business located in a provider's home. *Note: Section B of the DHS Child Care Subsidy Provider Handbook states that a client seeking approval for the subsidy cannot select a provider in which the client or the client's spouse has an ownership interest nor can the client select a child care home in which the client is an employee.*

In-home child care: Child care that takes place in the child's home. The caregiver must be a relative, other than the parents, and cannot live in the same house as the child.

Quality Rating Improvement System (QRIS): Also known as "stars" or the star system. This is the system whereby DHS evaluates and assesses child care quality and assigns stars to indicate quality level. Five stars are the highest level possible to obtain.

Overpayment claim: "A client or child care provider overpayment claim may occur as a result of agency, client, or provider error when a household received more child care benefits than it is entitled to receive or a provider was paid in error per (b)(1)(B) or (3) of this Section." (340:40-15-1).

Agency error overpayment claim: An agency overpayment results from DHS staff did not exercising due diligence. This could occur due to AFS staff incorrectly calculating household income or when DHS pays a rate that does not align with the unit type enrollment of the child.

Client error overpayment claim: A client overpayment may happen when the client provides incorrect information at the time of application, fails to report any changes that affect eligibility, or uses child care for days and hours for which they are not eligible.

Provider error overpayment claim: A provider error overpayment claim may happen when the day care provider submits an incorrect claim, fails to void an inaccurate claim in a timely manner, or receives payment for care they did not provide.

Referral: Any complaint or tip of potential wrong-doing sent to the DHS Office of Inspector General. Referrals could be named or anonymous and can come from within the agency, providers, clients, or the general public.

Appendix C: Child Care Eligibility and Copayment Rates



Child Care Eligibility/Copayment Chart

How Household Income, Family Size, and Family Share Copayments are Determined

When a household applies for Child Care Subsidy benefits, Oklahoma Human Services (OKDHS) bases the household's income eligibility on the federal income eligibility threshold per family size. [Per Section 98.20 of Title 45 of the Code of Federal Regulations](#), the federal income eligibility threshold cannot exceed 85 percent of the state median income per family size. Refer to [Oklahoma Administrative Code \(OAC\) 340:40-7-6](#) to determine who must be considered part of the household for income consideration and family size.

Income thresholds by family size and family share copayment amounts are shown on page two of this appendix. The family share copayment is based on the household's adjusted monthly income and family size per [OAC 340:40-5-1\(8\) and \(9\)](#).

- o The adjusted monthly income is the gross earned income plus unearned income, minus legally binding child support paid, rounded to the nearest dollar.
- o The family share copayment is set at initial approval and is not increased until the next eligibility renewal is completed unless the household income exceeds the maximum income eligibility threshold resulting in closure of subsidized child care benefits.
- o The client pays the family share copayment directly to the provider each month.
- o OKDHS makes payments to the child care provider on the balance of care costs after the copayment has been deducted.
- o The provider must return a portion of the parent's or guardian's family share copayment when the care used by the family (the daily rate per child times the number of days the child attended) is less than the family share copayment.

Schedule of Family Share Copayments

Family size - 1* Adjusted monthly income	Family size - 1* Co-payment amount	Family size - 2 Adjusted monthly income	Family size - 2 Co-payment amount	Family size - 3 Adjusted monthly income	Family size - 3 Co-payment amount	Family size - 4 Adjusted monthly income	Family size - 4 Co-payment amount	Family size - 5 Adjusted monthly income	Family size - 5 Co-payment amount
\$0 - \$887	\$0	\$0 - \$1,160	\$0	\$0 - \$1,433	\$0	\$0 - \$1,705	\$0	\$0 - \$1,978	\$0
\$888 - \$1,073	\$0	\$1,161 - \$1,452	\$0	\$1,434 - \$1,830	\$0	\$1,706 - \$2,208	\$0	\$1,979 - \$2,587	\$0
\$1,074 - \$1,182	\$27	\$1,453 - \$1,546	\$90	\$1,831 - \$1,910	\$128	\$2,209 - \$2,274	\$153	\$2,588 - \$2,638	\$178
\$1,183 - \$1,330	\$54	\$1,547 - \$1,739	\$115	\$1,911 - \$2,149	\$142	\$2,275 - \$2,558	\$169	\$2,639 - \$2,967	\$196
\$1,331 - \$1,478	\$77	\$1,740 - \$1,933	\$129	\$2,150 - \$2,388	\$159	\$2,559 - \$2,842	\$189	\$2,968 - \$3,297	\$219
\$1,479 - \$1,626	\$105	\$1,934 - \$2,126	\$142	\$2,389 - \$2,626	\$176	\$2,843 - \$3,126	\$209	\$3,298 - \$3,627	\$242
\$1,627 - \$1,774	\$119	\$2,127 - \$2,319	\$156	\$2,627 - \$2,865	\$192	\$3,127 - \$3,410	\$229	\$3,628 - \$3,956	\$265
\$1,775 - \$1,921	\$129	\$2,320 - \$2,512	\$169	\$2,866 - \$3,104	\$209	\$3,411 - \$3,695	\$249	\$3,957 - \$4,286	\$289
\$1,922 - \$2,069	\$140	\$2,513 - \$2,706	\$183	\$3,105 - \$3,343	\$226	\$3,696 - \$3,979	\$269	\$4,287 - \$4,616	\$312
\$2,070 - \$2,217	\$150	\$2,707 - \$2,899	\$196	\$3,344 - \$3,581	\$242	\$3,980 - \$4,263	\$289	\$4,617 - \$4,946	\$335
\$2,218 - \$2,365	\$160	\$2,900 - \$3,092	\$210	\$3,582 - \$3,820	\$259	\$4,264 - \$4,547	\$308	\$4,947 - \$5,275	\$358
\$2,366 - \$3,460	\$171	\$3,093 - \$4,525	\$223	\$3,821 - \$5,589	\$276	\$4,548 - \$6,654	\$328	\$5,276 - \$7,718	\$381
Family size - 6 Adjusted monthly income	Family size - 6 Co-payment amount	Family size - 7 Adjusted monthly income	Family size - 7 Co-payment amount	Family size - 8 Adjusted monthly income	Family size - 8 Co-payment amount	Family size - 9 Adjusted monthly income	Family size - 9 Co-payment amount	Family size - 10 Adjusted monthly income	Family size - 10 Co-payment amount
\$0 - \$2,251	\$0	\$0 - \$2,302	\$0	\$0 - \$2,353	\$0	\$0 - \$2,405	\$0	\$0 - \$2,456	\$0
\$2,252 - \$2,965	\$0	\$2,303 - \$2,686	\$0	\$2,354 - \$2,745	\$0	\$2,406 - \$2,805	\$0	\$2,457 - \$2,865	\$0
\$2,966 - \$3,001	\$203	\$2,687 - \$3,343	\$0	\$2,746 - \$3,138	\$0	\$2,806 - \$3,206	\$0	\$2,866 - \$3,274	\$0
\$3,002 - \$3,376	\$223	\$3,344 - \$3,453	\$232	\$3,139 - \$3,722	\$0	\$3,207 - \$3,892	\$0	\$3,275 - \$3,684	\$0
\$3,377 - \$3,752	\$250	\$3,454 - \$3,837	\$255	\$3,723 - \$3,922	\$261	\$3,893 - \$4,100	\$0	\$3,685 - \$4,478	\$0
\$3,753 - \$4,127	\$276	\$3,838 - \$4,221	\$282	\$3,923 - \$4,314	\$288	\$4,101 - \$4,408	\$295	\$4,479 - \$4,502	\$306
\$4,128 - \$4,502	\$302	\$4,222 - \$4,604	\$309	\$4,315 - \$4,706	\$316	\$4,409 - \$4,809	\$323	\$4,503 - \$4,912	\$330
\$4,503 - \$4,877	\$328	\$4,605 - \$4,988	\$336	\$4,707 - \$5,099	\$343	\$4,810 - \$5,210	\$351	\$4,913 - \$5,321	\$358
\$4,878 - \$5,252	\$355	\$4,989 - \$5,372	\$363	\$5,100 - \$5,491	\$371	\$5,211 - \$5,611	\$379	\$5,322 - \$5,730	\$387
\$5,253 - \$5,627	\$381	\$5,373 - \$5,756	\$390	\$5,492 - \$5,883	\$398	\$5,612 - \$6,011	\$407	\$5,731 - \$6,140	\$415
\$5,628 - \$6,002	\$407	\$5,757 - \$6,139	\$416	\$5,884 - \$6,275	\$426	\$6,012 - \$6,412	\$435	\$6,141 - \$6,549	\$444
\$6,003 - \$8,783	\$433	\$6,140 - \$8,983	\$443	\$6,276 - \$9,182	\$453	\$6,413 - \$9,382	\$463	\$6,550 - \$9,582	\$473

*A family size of one consists of a single child receiving child care benefits when the adult(s) and any other children living in the home are not considered part of the household for income consideration per [OAC 340:40-7-6](#).

Appendix D: Oklahoma's Compliance with Federal Regulations

The regulations that govern the Child Care and Development Fund are outlined in 45 CFR Part 98 managed by the Department of Health and Human Services, which serves as Oklahoma's lead agency.

Each state's designated lead agency must establish a state plan to administer the program. The state Plan must contain certain provisions as outlined in 45 CFR 98.16. The Plan is then submitted and subject to approval by the Assistant Secretary of Department of Health and Human Services.

The Secretary may temporarily waive one or more of the requirements using a waiver. With approval from the Department of Health and Human Services, Oklahoma is operating under a waiver until August 1, 2026, which waives requirements in the following rules:

1. 45 CFR 98.45(m)(l) for paying providers;
2. 45 CFR 98.45(m)(2) for basing provider payments on a child's authorized enrollment; and
3. 45 CFR 98.16(y), 98.16(z), 98.30(b)(1), and 98.50(a)(3) for some grants and contracts for direct services for infants and toddlers, children with disabilities, and children in underserved geographic areas.

Additionally, Oklahoma's plan was approved with 18 areas of non-compliance, most of which were not included in the waiver. Four of the non-compliant areas are scheduled to be compliant by July 31, 2026, with the remaining fourteen listed to be compliant by December 31, 2026.

Appendix E: Family Eligibility Criteria

As of May, 2025, OKDHS' eligibility criteria, as defined in OAC 340:40-7, is:

- The household income does not exceed 85 percent of the state median income
- The household assets must not exceed \$1,000,000
- The child's parents must reside in Oklahoma
- The child must be a United States citizen or a qualified alien*
 - All applicants must submit a declaration of citizenship
 - The DHS worker must verify the child's status through the Systematic Alien Verification for Entitlements (SAVE)
- The child must be younger than age 13
- A child with a disability must be younger than 19 years of age
- A child under court supervision may be eligible through the age of 19 accompanied by a statement from a child welfare specialist or the Office of Juvenile Affairs
- The child must live with a parent who is working or in job training
- A child is predetermined as eligible for the child care subsidy with no copayment obligation if they are a recipient of Supplemental Security Income, SNAP, or TANF, or the Refugee Resettlement Program.

Notes: Qualified aliens include, among other things, those who are granted asylum according to federal law, Afghan humanitarian parolees per the Afghanistan Supplemental Appropriations Act of 2022, and a Ukrainian citizen per Section 401 of the Additional Ukraine Supplemental Appropriations Act of 2022.

Appendix F: Client Acknowledgement of Responsibilities

Read these Statements if You are Applying for Child Care Subsidy

I understand I must:

- choose a child care provider that has a valid contract with OKDHS;
- not choose a one-star child care center;
- not choose a child care home for which I work;
- record attendance every day my child attends child care;
- never record attendance for hours outside my OKDHS approved schedule;
- never record attendance for any days or times my child does not attend child care;
- never give my EBT card or personal identification number (PIN) to anyone, including my child care provider;
- contact my worker if I receive a "denied" or "pending" message when I record my child's attendance;
- pay my family share copayment directly to my provider when I owe a copayment;
- pay for child care OKDHS will not pay because:
 - I did not record correct attendance for the days and times my child attended child care;
 - I received a denied message and I did not correctly record my child's attendance within 10 calendar days; or
 - my provider loses the absent days payment because I did not record correct attendance for every day my child attended that month;
- report changes in my need for child care;
- report if my child no longer attends child care; and
- report when I change child care providers.

Source: DHS Rights, Responsibilities, and Signature for Benefits Form 08MP003E.

Appendix G: Allowable TANF Expenditures

States are granted flexibility in how Temporary Assistance for Needy Families funds are used. States are allowed to use TANF funds for direct cash assistance to low-income families to use for any purpose. States are also able to spend the funds on other programs that support low-income families, including work, education, and child care programs.

The Center on Budget and Policy Priorities provides the following categories for the funds:

Appendix 2: CBPP Groupings of Federal TANF Reporting Categories

CBPP Category	Federal Reporting Categories
Basic Assistance	Basic Assistance (excluding Relative Foster Care Maintenance Payments and Adoption/Guardianship Subsidies) Relative Foster Care Maintenance Payments and Adoption/Guardianship Subsidies
Work, Education, and Training Activities	Subsidized Employment Education and Training Additional Work Activities
Work Supports and Supportive Services	Work Supports Supportive Services
Child Care	Child Care – Assistance and Non-Assistance Transferred to Child Care and Development Fund
Program Management	Administrative Costs Assessment/Service Provision Systems
Refundable Tax Credits	Refundable Earned Income Tax Credit (EITC) Non-EITC Refundable State Tax Credits
Child Welfare	Family Support/Family Preservation/Reunification Adoption Services Additional Child Welfare Services Authorized Under Prior Law (AUPL): Child Welfare or Foster Care (Assistance and Non-Assistance)
Pre-K/Head Start	Pre-kindergarten/Head Start
Other Areas	Non-Recurrent Short-Term Benefits Transferred to Social Services Block Grant Services for Children and Youth Home Visiting Programs Financial Education and Asset Development Prevention of “Out-of-Wedlock” Pregnancies Fatherhood and 2-Parent Family Formation & Maintenance Programs AUPL: Juvenile Justice Payments (Assistance and Non-Assistance) AUPL: Emergency Assistance (Assistance and Non-Assistance) Other
Basic Assistance	Basic Assistance (excluding Relative Foster Care Maintenance Payments and Adoption/Guardianship Subsidies) Relative Foster Care Maintenance Payments and Adoption/Guardianship Subsidies

Appendix H: Provider Requirements for Child Care Subsidy

Title 340, Chapter 40, Subchapter 13 of Oklahoma Administrative Code lists requirements for a provider to contract with DHS to receive the child care subsidy.

There are three types of providers that fall under one of two types of care (out-of-home or in-home):

1. Child care center (a type of out-of-home provider)
2. Child care home (a type of out-of-home provider)
3. In-home child care (care provided inside the child's own residence)

The client and caregiver must complete and sign three forms: Form 08CC003E, In-Home Mutual Agreement; Form 08CC004E, Mutual Agreement Regarding the Plan of Care; and Form 08CC005E, In-Home Provider Health and Safety Checklist. Once these forms are approved, the caregiver is authorized to bill DHS for services. The caregiver must also provide a copy of their photo identification and Social Security Card along with the results of an OSBI criminal history investigation.

Appendix I: The Child Care Advisory Committee

The Committee's statutorily-defined purpose is to, "recommend minimum requirements and desirable standards for promulgation by the Department." OKDHS' administrative rules (OAC 340:110-1-17) further describe the Committee's purpose as:

(A) ensure minimum standards maintenance for children's care and protection away from their homes, including:

(i) constructive programs and services meeting each child's and family's needs;

(ii) personnel having good moral character and ability of caring for children;

(iii) adequate and safe housing, sanitation, and equipment;

(iv) good health care;

(v) full educational and religious opportunities;

(vi) good community relationships;

(vii) essential records and administrative methods; and

(viii) sufficient funds for sound operation;

(B) encourage and assist child care facilities toward maximum standards; and

(C) work for sufficient and adequate child care services development through public and private agency partnerships;

(2) recommend child care program minimum requirements and standards for Oklahoma Department of Human Services (DHS) rule promulgation....

The agency rules continue:

(b) Function. The CCAC function is to:

(1) become informed of DHS programs and policies regarding children;

(2) express community's and the State of Oklahoma's needs and concerns relating to children's care and treatment; and

(3) express change recommendations, including minimum requirement revisions and encouraging child care maximum standards.

10 O.S. § 404 provides that there will be four subcommittees of the Child Care Advisory Committee:

▪ **The Residential Children's Services subcommittee** shall include at a minimum:

- a representative of a statewide organization representing children in care arrangements outside their own home,
- a representative of a statewide organization providing residential services to youth in state custody...

▪ **The Child Care Centers subcommittee** shall include at a minimum:

- a representative of a statewide organization advocating for children in care arrangements outside their own home,
- a representative of a statewide organization conducting programs for school-age children...

- **The Child Care Homes subcommittee** shall include at a minimum:
 - a representative of a statewide organization advocating for children in care arrangements outside their own home,
 - a parent or guardian with a child receiving care at a licensed child care home...
- **The Quality Rating and Improvement System subcommittee** shall include representatives of child care centers and child care homes currently licensed by the State and other members as determined by the Department of Human Services and the Commission on Children and Youth.

The law also provides that DHS will create a Child Care Facility Peer Review Board whose purpose shall be to participate in the Department's grievance process. DHS rules state that the CCAC will identify members to serve on the Peer Review Board.

Appendix J: DHS Verification Guidance for Employees – Identity

IDENTITY

Select a program below to view the required verifications

✓ SNAP

^ CHILD CARE

Required Verification

Identity of applicant

Identity of authorized representative (*if applicable*)

CHECK HERE FIRST	RESOLVE EXTERNALLY (Third Party Contact)	REQUEST FORMALLY (Only as last resort)
Review OnBase for existing identification <i>*Check under prior cases</i>	If an ID is not located, attempt to obtain one of the following:	Request verifications using form ADM 92 (08AD092 - Client Contact and Information Request)
Photo ID preferred, but if unavailable, alternate forms of ID may be accepted	Photo ID: Work or school ID, Driver's license, state ID, military ID, passport, work or school ID, CDIB card	
Cannot use ENU, BEN, SDX, or other data matches	Government documents: birth certificate, social security card, voter registration card,	
	Other: Health or social service program ID, paystub, lease, utility bill, or any other reasonable identification information	
Acceptable documents may include: Driver's license, state ID, military ID, passport, work or school ID, health or social service program ID, birth certificate, social security card, voter registration card, CDIB card, pay stub.		

Policy & Guidance

340:40-7-4 Identity and Social Security Number

Appendix K: DHS Verification Guidance for Employees – Citizenship Status

CITIZENSHIP

Select a program below to view the required verifications

▼ SNAP

^ CHILD CARE

Required Verification

Citizenship or alien status of any child needing care

CHECK HERE FIRST	RESOLVE EXTERNALLY (Third Party Contact)	REQUEST FORMALLY (Only as last resort)
Applicant must declare the citizenship or alien status of all household members on the application	If the applicant declares that some or all the household members applying for benefits are aliens: The SAVE procedures must be completed at each application and review to determine whether the documents provided to verify legal status are valid	Request verifications using form ADM 92 (08AD092 - Client Contact and Information Request)
Check application for declaration		
Check OnBase for existing verifications		
Acceptable documents may include: Birth certificate, Certificate of Naturalization or Certificate of Citizenship (N-560 or N-561), United States passport, Tribal membership card, Certificate of Degree of Indian Blood card, Oklahoma voter registration card, Affidavit of Citizenship		

Policy & Guidance

340:40-7-5 Resources, residence, and citizenship

340:65-3-1 Eligibility determination

Appendix L: DHS Verification Guidance for Employees – Household Composition

HOUSEHOLD COMPOSITION

Select a program below to view the required verifications

▼ SNAP

▲ CHILD CARE

Required Verification

Parents or caretakers acting in place of a parent

Child needing care

Related children in the household

CHECK HERE FIRST	RESOLVE EXTERNALLY (Third Party Contact)	REQUEST FORMALLY (Only as last resort)
Review household members listed on prior applications and case notes	If questionable:	Request verifications using form ADM 92 (08AD092 - Client Contact and Information Request)
Verbal statement	Contact the landlord	
BEN/SDX review	Contact another household member	
XMAIL	Verify through another third-party contact	
Acceptable documents may include: Rent/lease agreement, statement from a household member, or statement from a non-household collateral contact.		

Policy & Guidance

340:40-7-6 Household composition and income...

340:40-9-2 Case changes

Appendix M: DHS Verification Guidance for Employees – Income

Earned Income: Regular Earnings

Select a program below to view the required verifications

✓ SNAP

^ CHILD CARE

Required Verification

Pay records covering the 30 days prior to but not including the interview date (but no more than 60 days)

CHECK HERE FIRST	RESOLVE EXTERNALLY (Third Party Contact)	REQUEST FORMALLY (Only as last resort)
Review OnBase for pay verifications or current school employee contract	Use TRUV or Employee Payroll Portal to verify income Contact employer to obtain pay verification. <i>*Employer contact should include employee name, employer name, date of pay, frequency of pay, rate of pay, gross pay and if tips, commission, or bonuses are included</i>	Request verifications using form ADM 92 (08AD092 - Client Contact and Information Request)
Acceptable documents may include: Paystubs, employer wage records, statement from employer, ADM-94 (08AD094 - Employment Verification)		<u>Do NOT use best available</u>
NOTE: Income verification must be provided for at least the 30 days prior to the interview date. If more is provided, it must be used in the calculation as long as it is not more than 60 days prior to the interview date.		

Policy & Guidance

340:40-7-11 Income sources considered

340:40-7-12 Excluded income sources

340:40-7-13 Computation of income

340:40-7-8. Defining the need factor for child care benefits

Appendix N: DHS Verification Guidance for Employees – Resources

RESOURCES

Select a program below to view the required verifications

▼ SNAP

^ CHILD CARE

Required Verification

Resources must be below \$1,000,000 (one million dollars)

CHECK HERE FIRST	RESOLVE EXTERNALLY (Third Party Contact)	REQUEST FORMALLY (Only as last resort)
Client's declaration of value must be entered in Case Notes. Further proof is not required.		

Policy & Guidance

340:40-7-5(a) Resources, residence, and citizenship

Appendix O: Fraud Detection Guidance Provided by DHS to Adult and Family Services Employees

AFS Worker's Responsibility

One of your many responsibilities as a worker is to make certain the work you do is accurate. You do that by conducting thorough interviews, by checking the computer for relevant information, by reviewing the verification provided by the client, by explaining the client's rights and responsibilities, and by just being careful.

The employees in the human service centers know more about OKDHS clients than most other employees of this agency. Therefore, the case worker is one of the best assets for preventing and detecting fraud. Here are some best practices to follow:

1. Make sure the application or benefit review report form is properly completed and signed.
When the application is printed, make sure that the check boxes are correctly completed.
2. Review IMS screens and past case notes BEFORE interviewing the client.
3. Make sure that a clear copy of the client's photo identification is in the file.
4. Don't ignore G1DX error messages. Doing so may change a possible client error into an agency error.
5. Conduct good interviews and enter thorough case notes. All eligibility factors should be addressed in the case notes.
6. Make sure to ask all relevant questions from the application.
7. Make sure to address the need factor for child care cases in the case notes.
8. When the client's household expenses are significantly greater than the reported income, the case worker needs to address this discrepancy with the client and document the response in case notes.

Some case worker tools you can use in preventing and detecting fraud include:

- IMS screens (NHL, OWL, child support screens, G1DX error messages).
- Telephone calls to clients, employers, landlords, third parties, etc.
- Public web sites.
- Interviewing skills.
- Home visits.
- Previous case note entries.

Your To-Do List

- Read Quest article [When to Make OIG Referrals](#).
- Read Quest article [Making a Referral to the OIG](#).
- Read Quest article [How to Fill Out an OIG-1 Form](#).

*Source: OKDHS website, AFS Pre-Academy.
Screenshot taken July 16, 2026.*

Appendix P: Statutory Penalties for Fraudulently Obtaining Assistance

56 O.S. 243 (Food Stamp Fraud)

“No person shall: Obtain; Attempt to obtain; Aid; Abet; Assist any person to obtain, by means of: a false statement or representation, false impersonation, a fictitious transfer, conveyance or encumbrance of property or income, knowing and willful failure to report to the Department of Human Services: income, personal property, real property, household members, or other eligibility factors, at the time of application or during a period of receipt of assistance, or any other fraudulent device:

(1) food stamps or coupons, or any benefit or debit card or any other device authorizing participation in the food stamp program, to which such applicant for food stamps or coupons, or any benefit or debit card or any other device authorizing participation in the food stamp program is not entitled, or

(2) a greater amount of food stamps or coupons, or a greater number of benefit or debit cards or any other device authorizing participation in the food stamp program than that amount or number which such applicant for food stamps or coupons, or any benefit or debit card or any other device authorizing participation in the food stamp program is justly entitled to; ...

Any person, firm or corporation who violates any of the provisions of this section shall be guilty of a: misdemeanor, if the aggregate amount of food stamps or coupons, or the aggregate value of any benefit or debit card or any other device authorizing participation in the food stamp program obtained or transferred is Five Hundred Dollars (\$500.00) or less, and, upon conviction thereof, shall be punishable by a fine of not more than Five Hundred Dollars (\$500.00), or by imprisonment in the county jail for not more than three (3) months, or by both such fine and imprisonment, in the discretion of the court, or

Class D3 felony offense, if the aggregate amount of food stamps or coupons, or the aggregate value of any benefit card or debit card or any other device authorizing participation in the food stamp program obtained or transferred is in excess of Five Hundred Dollars (\$500.00), and, upon conviction thereof, shall be punishable by a fine of not more than Five Thousand Dollars (\$5,000.00), or by imprisonment as provided for in subsections B through F of Section 20P of Title 21 of the Oklahoma Statutes, or by both such fine and imprisonment, in the discretion of the court.”

56 O.S. 185 (Fraud in Obtaining Assistance)

“Any person who:

1. Obtains or attempts to obtain, or aids, abets or assists any person to obtain, by means of a false statement or representation, by false impersonation, by a fictitious transfer, conveyance or encumbrance of property or income, by a knowing and willful failure to report to the Department of Human Services income, personal property, real property, household members, or other material eligibility factors at the time of application or during the receipt of assistance, or by other fraudulent device, assistance to which an applicant is not entitled or assistance greater than that to which an applicant is justly entitled; or

2. By sale, barter, purchase, theft, acquisition, possession or use of any electronic benefits or debit card or any other device authorizing participation in the Temporary Assistance for Needy Families or other program of the Department, knowingly obtains, aids, abets or assists any person to obtain or attempt to obtain assistance to which a person is not entitled,

shall be guilty of a misdemeanor, if the aggregate amount of assistance received as a result thereof is Five Hundred Dollars (\$500.00) or less. Upon conviction thereof, such person shall be fined not more than Five Hundred Dollars (\$500.00) or be imprisoned for not more than three (3) months or be both so fined and imprisoned in the discretion of the court; provided, however, if the aggregate amount of assistance received as a result thereof is in excess of Five Hundred Dollars (\$500.00), such person shall be guilty of a Class D3 felony offense and, upon conviction thereof, shall be fined not more than Five Thousand Dollars (\$5,000.00), or be imprisoned as provided for in subsections B through F of Section 20P of Title 21 of the Oklahoma Statutes, or be subject to both such fine and imprisonment in the discretion of the court.”

Appendix Q: Findings Related to DHS Child Care Assistance Program, as Reported by the State Auditor and Inspector

Finding #	Detail	Cause and Effect
2023-070	A review of the Income and Eligibility Verification System (IEVS) G1DX Exception and Clearance Reports revealed that 23,622 out of 27,679 exceptions (85.34%) across multiple programs, including CCDF, were not resolved within the required 45-calendar day period	Occurred as a result of inadequate staffing and lack of close monitoring over the clearance of discrepancies. As a result, ineligible individuals may have been marked as eligible.
2023-099	DHS providers receiving ARP Act funds spent them on non-allowable expenses. Additionally, day care providers were able to self report their own Star levels, which impacted how much funding they received.	The Department lacked internal controls to monitor the funds.
2023-103	As part of the new QRIS "Stars" rollout, DHS offered financial incentives to daycares. DHS provided no specific guidance on how these funds should be used, other than encouraging them to be spent on high-quality learning experiences. When auditors attempted to test 60 incentive payments, they were unable to determine if the daycares spent the funds on allowable activities.	DHS failed to obtain or review supporting documentation from the daycares to verify how the incentive funds were spent. Because of this, funds may have been spent on unallowable activities or awarded without actual justification for the requested Stars level.
2023-104	DHS created the "Childcare Desert Grant" program to increase daycare capacity, paying \$10,000 per child. A review found that rewards were miscalculated resulting in overpayments, some providers were awarded QRIS STARS without any verification visits, and some providers spent the money on unallowable activities.	The DHS did not obtain or review supporting documentation from the daycares indicating how the QRIS incentive funds were spent. Additionally, incentive payments increased based on the Stars level requested, but DHS did not have a process in place to evaluate whether the Stars increase was justified.
2023-106	DHS contracted with a third party to create "Kith Care," an app that allowed essential workers, state employees, and foster/adoptive parents to pay close relatives \$25/child/day to care for children in their homes. DHS performed no detailed review to verify the accuracy of the caretakers or children invoiced, and when auditors requested documentation to perform testing, DHS was unable to provide the necessary records in a timely or usable format.	DHS did not ensure they had controls in place to ensure they could obtain and review the data needed to appropriately evaluate whether the parents and caretakers met the eligibility requirements and that the amounts paid to the caretakers were correct based on the timesheets approved by the parents. As a result, funds may have been paid to ineligible caretakers and/or on behalf of ineligible parents. Amounts may have also been paid when children were not cared for.

Appendix R: Total Fraud by Benefit Type for Criminal Cases

Case	SNAP	LIHEAP	Child Care	Total
220926046	\$ 8,620.00		\$ 6,983.20	\$ 15,603.20
230915015	\$ 41,383.00		\$ 56,080.50	\$ 97,463.50
240306014	\$ 6,655.00	\$ 684.00	\$ 20,558.70	\$ 27,897.70
240517005	\$ 16,032.00	\$ 850.00	\$ 345.00	\$ 17,227.00
240619015	\$ 11,534.00	\$ 660.00	\$ 1,532.00	\$ 13,726.00
240819013	\$ 16,980.00	\$ 1,252.00	\$ 7,429.80	\$ 25,661.80
250428019	\$ 12,118.00		\$ 4,441.00	\$ 16,559.00
250613015			\$ 16,056.70	\$ 16,056.70
240322014			\$ 40,572.00	\$ 40,572.00
Total	\$ 113,322.00	\$ 3,446.00	\$ 153,998.90	\$ 270,766.90

Source: DHS OIG Data Fulfillment.



To: Regina Birchum Legislative Office of Fiscal Transparency

From: Jeffrey Cartmell
Executive Director, Oklahoma Human Services

Date: August 6, 2026

Re: Revised Draft of LOFT Report

Finding 1: Oklahoma's Child Care Subsidy Program is Unlikely to Experience Large-Scale Coordinated Fraud, but Other Risks for Fraud and Abuse of the Program Remain

A. Does the agency agree with the facts as presented?

OKDHS appreciates LOFT's review of the Child Care Subsidy Program and the opportunity to provide additional context regarding the program's administration and system of internal controls. The agency generally agrees with the report's overall conclusion that Oklahoma's centralized administration and layered system of controls make the type of coordinated fraud alleged in other states unlikely. OKDHS welcomes opportunities to strengthen program integrity, ensure continued compliance with federal requirements, maintain timely access to services for eligible Oklahoma families, and protect the health and safety of children.

B. Agency Comments and Clarifications

Administering a public assistance program requires balancing multiple responsibilities simultaneously. Effective program administration must protect public funds, comply with federal requirements, safeguard the health and safety of children, provide eligible families with timely access to services, and maintain operational efficiency. Strengthening one control should not unintentionally create unnecessary risk in another area. For this reason, OKDHS evaluates recommendations within the context of the program's overall system of internal controls rather than as isolated improvements.

The agency appreciates LOFT's recognition that Oklahoma's Child Care Subsidy Program differs significantly from the structure that enabled the large-scale fraud identified in Minnesota. Oklahoma's centralized administration, licensed and contracted providers, attendance-based reimbursement methodology, and multiple layers of oversight provide substantial safeguards against such coordinated fraud.

Like any attendance-based reimbursement system, Oklahoma's program is not immune from risk. Attendance inflation remains a potential vulnerability; however, such schemes

would generally require collusion between providers and parents rather than exploitation of a single control weakness. These cases are inherently more difficult to identify and investigate than traditional eligibility fraud. Accordingly, OKDHS believes the most effective long-term strategy is to continue expanding data analytics that can identify unusual attendance patterns for referral to the Office of Inspector General, allowing investigative resources to focus on the highest-risk cases rather than expanding manual review across the entire provider population.

The agency also supports continued investment in technology that strengthens attendance verification. The new Child Care system, scheduled for implementation later this year, will include geofencing, enhanced visibility for parents and providers, stronger controls over attendance adjustments, and expanded real-time reporting and analytical capabilities. These enhancements will strengthen existing preventive and detective controls while improving the agency's ability to identify higher-risk transactions.

Effective internal controls depend upon assigning responsibilities to the functions best equipped to perform them. Licensing specialists are responsible for ensuring providers comply with health, safety, and licensing requirements that protect children. Eligibility staff determine program eligibility, financial staff oversee payment administration, and investigative staff evaluate allegations of fraud. While licensing staff appropriately report suspicious activity encountered during the course of their duties, expanding their primary responsibilities to include fraud detection risks diverting attention from their core mission of protecting children's health and safety. Recognizing this distinction, Child Care Services has established a dedicated Program Integrity Unit to strengthen monitoring, analytical review, and coordination with investigative resources.

The agency agrees that technology should continue to improve income verification and reduce duplicate data collection. OKDHS is currently implementing continuous eligibility functionality through Equifax to strengthen income verification and reduce eligibility error rates across public assistance programs. However, the effectiveness of automated verification depends not only on obtaining additional data, but also on the quality of the systems used to evaluate that information. Existing legacy processes, including discrepancy queues such as G1DX, were developed under prior system architectures and can generate large volumes of exceptions that require manual review without effectively distinguishing higher-risk discrepancies from routine activity. Accordingly, the agency's modernization efforts focus on improving workflow design, exception management, and analytical decision support so staff can concentrate on the issues that present the greatest program risk.

Similarly, OKDHS agrees that reducing duplicate data entry and improving interoperability between benefit systems would benefit both clients and agency operations. However, these improvements represent a significant enterprise modernization effort rather than a program-specific enhancement. Many of the agency's public assistance programs operate across legacy systems developed over decades to administer distinct federal and state requirements while serving approximately one-quarter of Oklahoma's population annually. The agency continues to prioritize modernization efforts that improve interoperability, reduce redundant data collection, and enhance the customer experience as resources and system development allow.

The agency agrees that documentation supporting eligibility determinations should be sufficiently legible and will continue reinforcing documentation standards through existing policy, training, and supervisory review.

Finally, OKDHS appreciates LOFT's discussion regarding family copayments and recognizes that information regarding unpaid balances may provide useful insight into provider experiences. However, the agency's responsibility is to administer the Child Care Subsidy Program in accordance with applicable laws and program requirements. At the same time, collection of family copayments remains a financial responsibility between the provider and the family. Expanding the agency's role into individual copayment disputes would require resolving factual disagreements that are often not independently verifiable and would substantially expand the agency's administrative responsibilities beyond benefit administration. While the agency supports continued evaluation of available information to identify broader program trends, any changes in this area should carefully balance administrative feasibility, provider responsibilities, and the subsidy program's intended design.

OKDHS appreciates LOFT's recognition that Oklahoma's governance structure substantially reduces the likelihood of the type of coordinated fraud experienced in other states. The agency remains committed to continuously strengthening the Child Care Subsidy Program through modernization, improved technology, enhanced analytics, targeted program integrity initiatives, and thoughtful internal controls that protect public funds, maintain compliance with federal requirements, safeguard children, and ensure eligible Oklahoma families continue to receive timely access to child care services.

Finding 2: Efforts to Prevent and Detect Fraud within the Child Care Assistance Program are Compartmentalized, and When Fraud is Found, DHS is Reluctant to Criminally Pursue

A. Does the agency agree with the facts as presented?

OKDHS appreciates LOFT's continued focus on program integrity but respectfully disagrees with the characterization that the agency is reluctant to pursue fraud or that fraud prevention efforts are compartmentalized in a manner that limits effective oversight. While the agency agrees there are opportunities to continue strengthening coordination, technology, and fraud awareness, the report does not fully recognize the distinct legal responsibilities, statutory authorities, and specialized functions that collectively support Oklahoma's fraud prevention and investigative framework.

B. Agency Comments and Clarifications

OKDHS is committed to protecting public funds through a comprehensive program integrity strategy that includes fraud prevention, detection, investigation, administrative recovery, and criminal referral when supported by the facts and applicable legal standards. These activities are intentionally distributed across specialized functions to ensure each responsibility is performed by the personnel best equipped to fulfill it.

The agency respectfully disagrees with the report's characterization that Oklahoma is reluctant to pursue fraud through criminal enforcement. Benchmarking maintained at the

Federal Level indicates that Oklahoma's investigative activity, criminal referrals, prosecutions, and administrative recoveries meet or exceed what would reasonably be expected relative to the state's overall benefit volume when compared with peer states. This data demonstrates that Oklahoma actively pursues both administrative and criminal remedies as appropriate. OKDHS concedes that the majority of cases are handled administratively; however, we assert that this is often necessary to maximize program integrity.

The agency also believes it is important to distinguish between administrative program integrity actions and criminal prosecution. OKDHS has an independent obligation to identify, establish, and recover improper payments whenever required under applicable federal and state requirements, regardless of whether the available evidence ultimately supports criminal prosecution. Administrative recovery and criminal prosecution serve different legal purposes, apply different evidentiary standards, and should not be viewed as interchangeable remedies. The agency is responsible for recovering improperly issued public funds, while criminal prosecution is appropriate only when supported by the available evidence and remains subject to prosecutorial discretion.

The report also concludes that frontline staff demonstrate a lack of fraud awareness, based in part on statements that they are not investigators. The agency respectfully disagrees with this conclusion. Eligibility specialists are not investigators, nor should they be. Their responsibility is to administer program eligibility, recognize potential indicators of fraud encountered during the course of their work, and refer those concerns through established investigative channels. This distinction reflects appropriate separation of duties rather than a lack of commitment to program integrity. In practice, frontline eligibility staff are the agency's primary source of investigative referrals to the Office of Inspector General, demonstrating that employees understand their responsibility to identify and report suspicious activity and to allow trained investigators to determine whether additional administrative or criminal action is warranted. The agency agrees that continued fraud awareness training is appropriate and will continue reinforcing fraud indicators and referral procedures for frontline staff.

Similarly, the agency agrees that child care licensing staff should remain aware of suspicious activity encountered while performing their regulatory responsibilities and continue to refer those concerns through established processes. However, the primary purpose of child care licensing is to regulate Oklahoma's child care industry by ensuring compliance with applicable health, safety, and quality standards. Licensing inspections are not designed to function as subsidy fraud investigations, nor are licensing specialists trained or equipped to conduct financial or criminal investigations. Rather than expanding the scope of licensing inspections into investigative activities, OKDHS believes subsidy fraud is most effectively addressed through coordination between licensing staff, Program Integrity personnel, targeted data analytics, and the Office of Inspector General, allowing each function to perform the responsibilities for which it possesses the appropriate statutory authority and subject matter expertise.

The agency also respectfully disagrees that expanding referrals generated by legacy discrepancy processes, such as G1DX, would, on its own, strengthen program integrity. As discussed in Finding 1, the effectiveness of automated discrepancy processes depends on the quality of the underlying system design, data integrity, and workflow

prioritization. Legacy processes can generate significant volumes of low-value exceptions that require manual review, without effectively distinguishing higher-risk discrepancies from routine activity. Expanding investigative referrals without first improving the quality of those referrals risks increasing administrative workload while reducing the ability of investigators to focus on the cases most likely to involve fraud. Accordingly, the agency's ongoing modernization efforts emphasize improving analytical decision support, exception management, and referral quality so investigative resources are directed toward the highest-risk matters.

Finally, OKDHS agrees that continued coordination between operational divisions, Program Integrity functions, and the Office of Inspector General remains essential to protecting public funds. The agency will continue strengthening these partnerships through modernization efforts, enhanced analytics, targeted fraud awareness training, and continuous process improvement. However, the agency believes the most effective fraud prevention strategy is one that clearly defines responsibilities, assigns investigative functions to trained personnel, and utilizes technology to improve the quality of fraud detection rather than expanding investigative responsibilities across operational staff.

Recommendations to the Agency

Recommendation: Adopt a clear position on the pursuit of fraud over administrative penalties.

Agency Position: Partially Agree

OKDHS agrees that expectations regarding fraud referrals and enforcement should be clearly communicated and consistently applied throughout the agency. The current OIG administration is evaluating our process for making these determinations more consistent. However, the agency respectfully disagrees with the premise that criminal prosecution and administrative recovery represent competing or interchangeable approaches to protecting public funds.

The agency has an independent obligation to identify, establish, and recover improper payments whenever required under applicable federal and state laws and regulations. If there is evidence supporting criminal prosecution, then it is referred to the District Attorney. If there is insufficient evidence for criminal prosecution, administrative recovery begins, regardless. Administrative recovery protects public funds and preserves program integrity, while criminal prosecution addresses violations of criminal law. Both are essential components of an effective fraud prevention strategy, but they serve different legal and programmatic purposes.

It is also important to recognize that administrative determinations of fraud or intentional program violations are made under program-specific statutes, regulations, and evidentiary standards that differ from those required to sustain a criminal prosecution. Criminal prosecution requires sufficient evidence to establish each element of a criminal offense and remains subject to prosecutorial discretion. Accordingly, not every

administrative fraud determination will support criminal prosecution, nor should criminal prosecution be the sole measure of an effective fraud prevention program.

Benchmarking conducted at the Federal level indicates that Oklahoma's investigative activity, criminal referrals, prosecutions, and administrative recoveries meet or exceed what would reasonably be expected relative to the state's overall benefit volume when compared with peer states. This data demonstrates that the agency actively uses both administrative and criminal remedies, applying each where most appropriate based on the facts, available evidence, and applicable legal standards.

Recommendation: Submit all substantiated fraud cases to a District Attorney or Assistant United States Attorney for criminal review before pursuing administrative recovery.

Agency Position: Partially Agree

OKDHS agrees that appropriate fraud cases should continue to be referred for criminal prosecution when supported by the facts, available evidence, and applicable law. The agency also agrees there are opportunities to continue strengthening coordination with prosecutorial authorities and to evaluate whether additional cases may be appropriate for criminal referral. As investigative capabilities, analytical tools, and program integrity functions continue to mature, the agency recognizes opportunities to enhance criminal enforcement in cases supported by the facts and available evidence.

However, the agency has concerns that requiring all substantiated administrative fraud cases to be submitted for criminal review prior to administrative recovery would create significant operational and legal challenges.

Administrative recovery and criminal prosecution serve different legal and programmatic purposes and operate under different statutory and evidentiary standards. OKDHS has an independent obligation to identify, establish, and recover improper payments whenever required under applicable federal and state law. Administrative recovery protects public funds and ensures compliance with federal program requirements, while criminal prosecution addresses violations of criminal law. These remedies are complementary rather than interchangeable and should not be viewed as competing enforcement approaches.

It is also important to recognize that administrative determinations of fraud or intentional program violations are made under program-specific statutes, regulations, and evidentiary standards that differ from those required to sustain a criminal prosecution. Criminal prosecution requires a higher standard of proof for conviction than establishing administrative penalties. Accordingly, not every substantiated administrative fraud case will support criminal prosecution, nor should criminal prosecution be the sole measure of effective program integrity.

Implementation of this recommendation would also substantially expand the volume of cases submitted for prosecutorial review, increasing referrals by approximately 900 cases annually statewide. Many of these matters involve complex federal public assistance program requirements and administrative determinations that require

specialized program knowledge in addition to criminal law considerations. Requiring universal prosecutorial review could significantly increase workloads for local prosecutorial offices while extending the time required to recover improperly issued public funds, without necessarily resulting in a corresponding increase in criminal prosecutions.

Accordingly, OKDHS believes criminal referrals should continue to be based on the specific facts and circumstances of each case, the available evidence, the likelihood that the facts support criminal prosecution, and coordination with prosecutorial authorities. The agency believes the more effective long-term approach is to improve the identification and development of higher-quality criminal cases through enhanced analytics, strengthened program integrity functions, and improved investigative coordination rather than requiring universal prosecutorial review of all substantiated administrative fraud determinations.

OKDHS remains committed to continuously evaluating its criminal referral practices and working collaboratively with the Office of Inspector General and prosecutorial partners to ensure appropriate cases are referred for criminal consideration while continuing to fulfill its independent responsibility to recover improperly issued public funds.

Recommendation: Institute new training and procedures to incorporate fraud identification into monitoring visits by licensing workers to child care providers.

Agency Position: Partially Agree

OKDHS agrees that Child Care Licensing staff should receive appropriate training to recognize and report potential indicators of fraud encountered during the course of their normal regulatory responsibilities. Reinforcing fraud awareness and established referral procedures can further strengthen overall program integrity without fundamentally changing the purpose of licensing activities.

However, the agency believes it is important to distinguish between fraud awareness and fraud investigation, as well as between the distinct responsibilities of Child Care Licensing and the Child Care Subsidy Program. Child Care Licensing is an independent regulatory function responsible for overseeing Oklahoma's child care industry and ensuring compliance with applicable health, safety, and licensing requirements. The risks managed by Licensing—including the health, safety, and well-being of children—are significant regulatory responsibilities that require specialized expertise, sound regulatory judgment, and sustained attention independent of subsidy administration.

While licensing staff are appropriately positioned to identify observations made during the course of their normal regulatory activities that may warrant additional review, they should continue to refer those observations through established processes. Licensing inspections are not designed to function as subsidy fraud investigations. Expanding the primary responsibilities of licensing staff to include investigative activities risks diverting resources and attention from an independently important regulatory mission while assigning investigative responsibilities to personnel whose primary expertise lies in protecting children and regulating licensed providers.

Recognizing the importance of strengthening subsidy oversight, OKDHS is actively enhancing the Child Care Subsidy Program Integrity function. This dedicated function is intended to strengthen subsidy compliance activities through enhanced analytical review, monitoring, referral coordination, and collaboration with the Office of Inspector General while working closely with Child Care Licensing and operational staff. The agency believes that strengthening dedicated subsidy-integrity resources offers a more effective long-term approach than expanding the primary mission of an independent regulatory function.

Accordingly, OKDHS supports strengthening fraud awareness training for licensing personnel while maintaining the distinction between recognizing potential indicators of fraud and conducting investigative activities. Effective organizations strengthen specialized functions rather than broadening the primary responsibilities of existing functions with different statutory, regulatory, and operational objectives. The agency believes this approach allows Child Care Licensing to remain focused on its critical regulatory mission while enhancing subsidy program integrity through dedicated analytical, monitoring, and investigative resources.

Recommendation: Require G1DX income discrepancy alerts to be referred to the investigative unit before resolution and processed within 30 days.

Agency Position: Partially Agree

OKDHS agrees that income discrepancies identified through automated processes should be reviewed in a timely manner and that significant discrepancies indicative of potential fraud should be referred for appropriate investigation. The agency also agrees that continued improvements to automated discrepancy management can strengthen program integrity and improve consistency across eligibility operations.

However, the agency believes implementation should be guided by appropriate workflow design, risk prioritization, and operational reasonableness. Legacy discrepancy processes, including G1DX, were developed under prior system architectures and can generate significant volumes of discrepancies that vary considerably in complexity, materiality, and fraud risk. Requiring all discrepancies to be referred for investigation before resolution could unnecessarily increase investigative workloads and delay the resolution of routine eligibility actions that do not present meaningful fraud indicators.

The agency believes investigative resources are most effective when focused on higher-risk discrepancies identified through analytical review, established referral criteria, and professional judgment rather than universal referral requirements. Accordingly, modernization efforts focus on improving the quality of exception management, strengthening analytical capabilities, and enhancing risk-based prioritization so that investigative resources are directed toward matters most likely to involve fraud.

OKDHS is currently implementing significant technology improvements, including continuous eligibility functionality and broader modernization initiatives, that will improve automated verification, reduce unnecessary exception generation, and strengthen the

quality of investigative referrals. These enhancements are expected to improve both the timeliness and effectiveness of discrepancy resolution while reducing administrative burden on operational staff and investigators.

The agency supports establishing reasonable performance expectations for discrepancy processing; however, processing timeframes should recognize the varying complexity of individual cases, competing statutory workload requirements, staffing resources, and the need to ensure accurate eligibility determinations. OKDHS believes a risk-based workflow that prioritizes higher-risk discrepancies while maintaining reasonable processing expectations will produce stronger program integrity outcomes than a universal referral requirement or fixed processing standard.

Recommendation: Transfer the Benefits Integrity Recovery Section (BIRS) to the Office of Inspector General.

Agency Position: Agree

OKDHS agrees that consolidating the Benefits Integrity Recovery Section within the Office of Inspector General presents an opportunity to strengthen further coordination between investigations, overpayment determinations, and recovery efforts. Aligning these closely related functions can improve case coordination, reduce administrative handoffs, and support a more integrated approach to program integrity.

Over the next few months, the agency believes it will be important to maintain strong coordination with Financial Services to ensure the continued administration of collection activities, repayment agreements, financial reporting, accounting, and other fiscal responsibilities associated with established overpayments. Clearly defined roles and collaborative processes between the Office of Inspector General and Financial Services will be essential to maintaining effective stewardship of public funds while strengthening investigative and recovery functions.

The agency believes this organizational alignment, combined with continued modernization and enhanced analytical capabilities, will further strengthen Oklahoma's overall program integrity framework.

Recommendation: Dedicate additional personnel to the Office of Inspector General's investigative function, including consideration of aligning the Child Care Quality Audit Unit more closely with investigations.

Agency Position: Agree

OKDHS agrees that continued evaluation of the Office of Inspector General's organizational structure presents an opportunity to strengthen program integrity and investigative effectiveness.

The agency recognizes that the current Child Care Quality Audit Unit performs responsibilities that span both compliance auditing and investigative support. While these functions are complementary, they require different methodologies, training, priorities, and measures of success. As a result, the current organizational structure

presents competing responsibilities that may limit the effectiveness of both functions, creating an opportunity to better align responsibilities with the primary mission of the positions performing the work.

The agency agrees there are multiple approaches that could strengthen these functions. Aligning these positions more closely with investigative operations is one potential solution; however, other organizational models may also effectively improve program integrity, investigative support, and quality assurance activities. Accordingly, the agency believes organizational decisions should remain flexible and be guided by workload, operational needs, available resources, and the long-term strategic objectives of the Office of Inspector General.

OKDHS will continue evaluating opportunities to align organizational responsibilities better, so each function has a clearly defined primary mission while maintaining effective coordination across audit, investigative, program integrity, and operational activities. The agency believes strengthening organizational clarity and reducing competing responsibilities will enhance both the quality of oversight and the effectiveness of fraud detection over time.

Recommendation: Adopt policies to reject any documentation that is blurred or unreadable and require verification of all documentation as a standard practice. Incorporate these policies into annual employee training.

Agency Position: Agree

OKDHS agrees that documentation supporting eligibility determinations should be sufficiently legible to support accurate eligibility decisions, quality assurance activities, and compliance with federal requirements. The agency will continue to reinforce documentation quality standards, verification requirements, and supervisory oversight through policies, employee training, and quality assurance activities.

Recommendation: Ensure completeness of the applications for the child care subsidy by ensuring that information collected during the application for other benefits is transferred to the child care application.

Agency Position: Agree

OKDHS agrees that reducing duplicate data collection and improving interoperability across eligibility systems are important modernization objectives. The agency continues to prioritize enterprise modernization efforts to improve data sharing, reduce redundant data collection, and streamline eligibility processing across public assistance programs. Given the complexity of integrating legacy systems developed over decades to administer distinct federal and state programs, these improvements will continue to be implemented as part of the agency's broader technology modernization strategy.

Recommendation: Use the agency's recently acquired access to a credit reporting service to verify income on a monthly basis, and also request a waiver from the federal government to reassess eligibility as needed.

Agency Position: Partially Agree

OKDHS agrees that expanded use of automated income verification presents a significant opportunity to strengthen program integrity. The agency is currently implementing continuous eligibility functionality utilizing Equifax to improve income verification and reduce eligibility error rates. However, the agency believes implementation should remain consistent with federal requirements, operational feasibility, and available system capabilities. The agency will continue to evaluate opportunities to expand automated verification while ensuring that workflows appropriately prioritize higher-risk discrepancies and support efficient program administration.

Recommendation: Expand its user agreement to include language prohibiting manipulation of the new app's ability to confirm physical attendance.

Agency Position: Agree

OKDHS agrees that user agreements and system controls should clearly communicate participant responsibilities and prohibit intentional misuse of attendance verification functionality. As implementation of the new child care attendance system continues, the agency will evaluate opportunities to strengthen user agreements, system controls, and participant communications, while continuing to implement additional preventive and detective controls, including enhanced analytics, geofencing, and strengthened controls related to attendance adjustments.

Recommendation: Require OKDHS conduct an address verification of the responsible parent(s) or guardian(s) through interagency data sources.

Agency Position: Agree

OKDHS agrees that leveraging available governmental data sources to strengthen address verification presents an opportunity to improve eligibility determinations. The agency will continue to evaluate opportunities to expand interagency data-sharing and verification capabilities, including partnerships with other state entities where appropriate. However, implementation should remain sufficiently flexible to allow the agency to utilize the most effective available data sources while ensuring compliance with applicable legal, privacy, and operational requirements.

Recommendation: Require that all referrals entered into the Office of the Inspector General's database include documentation of all attempts to assess the strength of the allegations.

Agency Position: Agree

OKDHS agrees that consistent documentation supporting investigative referrals strengthens case prioritization, investigative decision-making, and overall program integrity. The agency supports the continued consistency of referral documentation standards and investigative workflows to ensure investigative resources are directed

toward matters presenting the greatest risk while maintaining appropriate documentation to support referral decisions.

Recommendation: Periodically have OKDHS OIG test the strength of the agency's fraud detection by submitting fraudulent documents for OKDHS workers to process.

Agency Position: Agree

OKDHS agrees that periodic testing of fraud-detection controls is a valuable quality-assurance practice. The agency supports evaluating appropriate methodologies for periodically assessing the effectiveness of fraud detection processes, employee awareness, referral procedures, and internal controls in ways that strengthen program integrity while minimizing unnecessary operational disruption.

Recommendation: In accordance with Administrative Rules and the State Plan, require child care providers attest to whether client copayments have been paid.

Agency Position: Partially Agree

OKDHS recognizes that additional information regarding family copayments may provide useful program integrity information. However, the collection of family copayments remains a shared responsibility between providers and families under the current program design. While the agency supports continued evaluation of information that may assist in identifying broader program trends, additional reporting requirements should be carefully evaluated to ensure they provide meaningful value to program integrity without creating unnecessary administrative burden or requiring the agency to resolve disputes between private parties that may not be independently verifiable.

Recommendation: Consider administrative action against clients that fail to remit copayments to providers.

Agency Position: Partially Agree

OKDHS agrees that failure to satisfy required family copayments may warrant administrative review when supported by sufficient evidence and consistent with applicable program requirements. However, because copayment obligations arise directly between the provider and the family, the agency believes any administrative action should be supported by reliable, verifiable information and carefully balanced against the agency's responsibility to administer eligibility and subsidy benefits. The agency will continue to evaluate options that strengthen accountability while recognizing the practical challenges of independently verifying disputes between private parties.

Recommendation: For providers whose actions are found to have intentionally resulted in overpayment of Child Care Assistance funds, reduce the provider's quality rating status and corresponding reimbursement rate by one level.

Agency Position: Agree

OKDHS agrees that providers who intentionally engage in fraudulent activity should be subject to meaningful administrative consequences in addition to recovery of improperly paid funds where appropriate. Strong accountability measures are an important component of maintaining program integrity and protecting public resources.

The agency supports continued evaluation of administrative sanctions that effectively deter intentional fraud while maintaining the integrity and intended purpose of both the Child Care Subsidy Program and Oklahoma's quality rating system.

Jeffrey Cartmell

Jeffrey Cartmell (Aug 6, 2026 11:35:21 CDT)

Jeffrey Cartmell
Executive Director
Oklahoma Human Services

LOFT's comments on the response from the Oklahoma Department of Human Services

As part of LOFT's protocol, agencies are granted the opportunity to respond to the evaluation report and findings. Portions of OKDHS' response warrant further clarification or correction. With this response, LOFT seeks to address questions of fact and not differences of opinion.

LOFT's response to inaccurate or misleading statements:

Finding 1: Oklahoma's Child Care Subsidy Program is Unlikely to Experience Large-Scale Coordinated Fraud, but Other Risks for Fraud and Abuse of the Program Remain

- In its response, OKDHS contends that "expanding [caseworkers] primary responsibilities to include fraud detection risks diverting attention from their core mission of protecting children's health and safety." LOFT does not recommend that fraud detection be the primary duty of caseworkers, but instead proposes these workers also be trained on fraud detection that naturally compliments the work already being performed.
- OKDHS incorrectly asserts that it does not have a responsibility to ensure that family copayments are being made to child care providers. OKDHS states its "responsibility is to administer the Child Care Subsidy Program in accordance with applicable laws and **program requirements.**" (emphasis added.) Family copayments are part of the program requirements, as demonstrated in the report with citations of OKDHS' administrative rules, the agency's written policies, and an attestation form that OKDHS requires clients to sign, which includes the copayments as a term of the agreement. LOFT does not suggest the agency insert itself into "individual copayment disputes," as stated in the response. LOFT instead recommends that OKDHS confirm with providers the status of copayments and consider penalties for clients who regularly fail to remit the copayments. As stated in the report, by not confirming that child care providers are receiving the required copayments from clients, OKDHS is enabling violation of the program rules it established.

Finding 2: Efforts to Prevent and Detect Fraud within the Child Care Assistance Program are Compartmentalized, and when Fraud is Found, DHS is Reluctant to Criminally Pursue

- OKDHS' response states that child care staff are not "trained or equipped to conduct financial or criminal investigations." LOFT does not suggest front line staff be trained as investigators. Rather, LOFT recommends training on fraud detection and prevention measures that naturally align with their existing duties of reviewing documentation submitted during the application process. Additionally, LOFT contends it is reasonable due diligence for workers to conduct basic public records searches to ensure that benefits are being awarded to the correct individuals.
- In its response to LOFT's conclusion that the agency favors the more lenient approach of administrative recovery when fraud is found, OKDHS asserts this path is necessary to "maximize program integrity." While seeking payment recovery through an administrative process may be more expedient, it is LOFT's contention that criminal prosecution would maximize program integrity as it acts as a deterrent to future fraud.
- OKDHS states that administrative recovery and criminal prosecution serve different purposes and should not be viewed as interchangeable remedies. LOFT agrees with this statement but must clarify that OKDHS does not have set standards regarding the thresholds at which fraud cases are referred for criminal prosecution, making the decisions subjective.