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## MINISTRY OF COMMUNITY AND SOCIAL SERVICES

### 4.03–Child Care Activity

(Follow-up to VFM Section 3.03, 1999 Annual Report)

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#### BACKGROUND

The Ministry's Child Care Activity develops policies for licensed child-care programs and subsidizes the cost of a portion of those programs to enhance the availability of affordable, high-quality care for children up to the age of 12 years. This care is, in turn, intended to allow parents to work or undertake training or education leading to employment. However, access to subsidized child-care spaces is not an entitlement and is therefore limited by the availability of subsidized child-care spaces, which is determined by ministry funding and the financial contributions of municipalities and approved corporations.

During the 1998/99 fiscal year, the Ministry contracted with 186 municipalities and ministry-approved non-profit corporations, which either provided subsidized child-care services directly or purchased such services from third-party providers. In total, subsidized child care was provided by 3,400 licensed child-care centres and 140 licensed private home-care agencies for approximately 133,000 and 8,500 children respectively. For the 1998/99 fiscal year, ministry child-care expenditures totaled \$593 million.

We concluded that the Ministry's administrative policies and procedures did not ensure that transfer payments were reasonable and adequately controlled because:

- the agency budget request and approval process was not timely, and funding was approved based on amounts approved in the previous year rather than on assessed needs;
- significant variances in agencies' expenditure and service data were often not explained or acted upon by the Ministry; and
- the Ministry did not regularly obtain and review the child-care subsidy eligibility criteria used by fee subsidy managers to ensure fairness and consistency across the province in determining access to subsidized care.

A number of the audit observations and recommendations in our 1999 report were similar to audit observations and recommendations made in our reports on the Child Care Activity in 1989 and 1995. In 1995, the Ministry had agreed to take action to implement our recommendations to correct observed deficiencies, but did not follow through with some of its stated intentions. Therefore, we again made recommendations to overcome these deficiencies, and the Ministry responded to our recommendations with commitments to take corrective action.

#### CURRENT STATUS OF RECOMMENDATIONS

Based on information obtained from the Ministry, the Ministry has implemented a number of our recommendations. However, progress on others has been limited. The current status of ministry action taken on each of our recommendations is as follows.

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## **CHILD-CARE FEE SUBSIDY PROGRAM**

### **Fee Subsidy Budget Requests**

#### **Recommendation**

*To help ensure that each fee subsidy manager receives reasonable and appropriate funding, the Ministry should:*

- *review and approve budget requests on a more timely basis;*
- *require fee subsidy managers to report information that is sufficient to permit informed funding decisions; and*
- *critically assess budget requests to ensure that approved funding amounts are commensurate with the demand for and value of the underlying services to be provided.*

#### **Current Status**

In September 2000, the Ministry issued a new *Framework for Child Care Service Planning*. The *Framework* provides guidelines for completion of a Service Plan that includes determining the mix and level of child-care services appropriate to local needs and priorities. These service plans are to be updated annually and will cover a three-year period in order to promote progression towards long-term goals. The Service Plans are to be submitted with the 2001/02 fiscal year submissions and will form the basis of the service contract and consequent funding.

A review of a sample of budget submissions received for the 2000/01 year noted that they were received and reviewed on a timely basis.

### **Quarterly Reporting**

#### **Recommendation**

*In order to ensure the timely identification and follow-up of significant in-year variances in expenditures and service delivery, as required by ministry policy, the Ministry should:*

- *obtain adequate explanations of such variances; and*
- *review and approve any necessary corrective action.*

#### **Current Status**

The Ministry issued a new *Business Practices Guideline* to CMSMs in July 2000 that provides direction on the identification, documentation, and follow-up of significant in-year variances.

The Ministry has extended the due dates for receipt of the quarterly reports by 20 days to 50 days after the end of the first three quarters and to 65 days after the end of the fourth quarter. However, two thirds of a sample of quarterly reports reviewed for 2000 were received after the newly extended due dates. In addition, a number of the reports that contained significant variances still contained no evidence of ministry review or approval of corrective action.

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## Annual Program Expenditure Reconciliation

### Recommendation

*To improve the effectiveness of the Annual Program Expenditure Reconciliation (APER) process in identifying funding surpluses and inappropriate or ineligible expenditures, the Ministry should:*

- *obtain independent assurance for all fee subsidy managers' expenditures either through the APER process or through some other form of independent assurance; and*
- *ensure that the financial statements accompanying APERs are sufficiently detailed or have the required note disclosure to permit the detection of inappropriate or ineligible expenditures as well as the reconciliation of the financial statement with any APER-reported funding surpluses or deficits.*

### Current Status

The Ministry's new *Business Practices Guideline* now requires that all delivery agents, including municipalities, that receive \$75,000 or more in a year must submit an APER. However, the APER process still does not ensure that the APER is reconciled to the audited financial statements or that inappropriate or ineligible expenditures are identified as intended.

## Fee Subsidy Eligibility—Needs Test Assessment

### Recommendation

*To promote greater consistency in the application of needs tests and to help ensure equitable access to subsidized child care, the Ministry should periodically obtain and review the eligibility assessment criteria used by all fee subsidy managers and ensure that any variances are reasonable and clearly attributable to local conditions.*

### Current Status

In September 2000, the Ministry issued a *Fee Subsidy Management Guideline* that provides direction for establishing fee subsidy eligibility criteria. Training with respect to the new guideline was completed in early 2000.

We were advised that the Ministry is currently piloting the use of a monitoring tool that will include a review of the fee subsidy eligibility assessment criteria used. Once the results of the pilot project are completed, the Ministry is to commence annual reviews of Consolidated Municipal Service Managers that will include a review of the eligibility assessment criteria used.

## Fee Subsidy Eligibility—Review of Needs Test Files

### Recommendation

*To ensure that only eligible families receive subsidized child care, the Ministry should conduct periodic needs test file reviews based on assessed risks. Where deficiencies or inconsistencies are identified, the Ministry should take timely and appropriate corrective action.*

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## Current Status

Annual reviews of needs test files have not been conducted to date. However, the Ministry intends to commence annual reviews of needs test files as part of its regular monitoring process before the end of 2001.

## WAGE SUBSIDY PROGRAM

### Program Equity

#### Recommendation

*To ensure that wage subsidy grants are fairly distributed, the Ministry should reassess its policy and method for subsidy grant distribution to ensure program equity, in accordance with program objectives.*

#### Current Status

The Ministry has made only limited progress with respect to this recommendation since reallocations of wage subsidy grants only occur when excess funds are identified and become available for redistribution.

### Wage Subsidy Grant Calculations

#### Recommendation

*The Ministry should periodically assess the appropriateness of the amounts of wage subsidy grants paid and ensure that assessments are adequately documented and based on current information.*

#### Current Status

The recommended assessments of the appropriateness of the amounts of wage subsidy grants paid have not been completed.

However, we were advised that the Ministry is currently piloting procedures in that regard and intends to implement them during 2001.

### Wage Subsidy Utilization Statements

#### Recommendation

*The Ministry should more effectively determine whether wage subsidies are paid in appropriate amounts and for the purposes intended, based on sufficient information from the Wage Subsidy Utilization Statements.*

*The Ministry should also consider whether it is advisable to obtain independent confirmation of the completeness and accuracy of information provided in the Wage Subsidy Utilization Statements, as is currently ministry practice for other types of transfer-payment Annual Program Expenditure Reconciliations.*

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## Current Status

As a result of Local Services Realignment, the Ministry no longer receives Wage Subsidy Utilization Statements. However, the Ministry's new *Wage Subsidy Guideline* issued in February 2000 requires that Consolidated Municipal Service Managers certify to the Ministry that they have received audited special purpose reports from each service provider verifying that Wage Subsidy Grants have been used for the intended purposes only.

There continues to be no assurance that each employee has received a reasonable portion of the Wage Subsidy Grant or not more than the maximum specified amount, as required.

## LICENSING AND ENFORCEMENT

### Timeliness of Licensing Inspections

#### Recommendation

*To ensure that child-care operators continue to be in compliance with licensing requirements, the Ministry should conduct inspections and renew licences on a more timely basis, as required by program guidelines.*

*When licensing inspections and renewals occur after licence expiry dates, the Ministry should ensure that the reason for the delay is documented.*

#### Current Status

We reviewed a sample of licensing files for the 2000/01 fiscal year and found that the majority of licensed child-care centres continued to receive their renewal licence after the previous licence had expired, even when the required licence renewal applications and related fees were submitted prior to expiry of the previous licence. The reasons for the delays in renewing the licences were not documented in the licensing files.

### Criminal Reference Checks

#### Recommendation

*To help ensure that all licensed child-care operators implement the required policy for criminal reference checks, the Ministry should make greater efforts to:*

- *monitor operators' confirmations of compliance with criminal reference check requirements; and*
- *take corrective action when necessary to ensure that criminal reference check policies are in place and implemented.*

#### Current Status

The licensing checklists for all licensed child-care operators now require confirmation that the operator has developed and implemented the required criminal reference check policy.

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## Serious Occurrences and Complaints

### Recommendation

*As required by ministry policy, the Ministry should take the necessary steps to ensure that:*

- *all serious occurrence follow-up reports are reviewed and evaluated for the appropriateness of the corrective actions to be taken; and*
- *all required second follow-up visits resulting from reported complaints are conducted.*

### Current Status

The Ministry now requires that written serious occurrence follow-up reports be received by the Ministry within seven days of the serious occurrence. We found that the required follow-up were generally received within seven days and were reviewed and evaluated for the appropriateness of the corrective action to be taken.

In addition, based on a review of a sample of complaints, we noted that second follow-up visits were generally conducted when required.

## OTHER MATTER

### ***MANAGEMENT INFORMATION***

#### Recommendation

*The Ministry should ensure that the information in its Service and Management Information System is complete and accurate and used to identify significant variances requiring further review.*

#### Current Status

We were advised that the Ministry continues to emphasize the need to maintain complete and accurate information in its Service and Management Information System. In addition, the Ministry was in the process of implementing new software to allow data to be used for trend analysis, comparisons, and chart and report creation.