

## Chapter 4

### Section 4.04

Ministry of Children and Youth Services

# Child Care Activity

Follow-up to VFM Section 3.04, 2005 Annual Report

## Background

The Ministry of Children and Youth Services administers the Child Care Activity (Activity) under the authority of the *Day Nurseries Act*. The Activity's main responsibilities include inspecting, licensing, and monitoring child-care operators that care for more than five children to promote quality child-care services and ensure the health and safety of the children in care. However, it is primarily the 47 consolidated municipal service managers (CMSMs) that manage and co-ordinate funding and programs in their respective jurisdictions.

The Ministry subsidizes child-care costs for children of parents in need (subject to available funding); provides additional financial support for the care of children with special needs; and provides funding for community-based resource centres offering various programs for parents and children. For the 2006/07 fiscal year, ministry child-care and Early Learning expenditures totalled \$703.7 million (\$575.4 million for the 2004/05 fiscal year). Total Activity costs for child care are shared between the Ministry and the municipalities on an 80:20 basis, with administration costs being shared equally between the two.

In 2005, we concluded that if the Ministry is to ensure that licensed child-care centres are providing children with adequate early opportunities for

learning and for physical and social development, it must better define and communicate program expectations to the centres and systematically monitor and assess their implementation. Our observations at that time included the following:

- Ontario had not yet developed adequate curriculum guidance to help child-care centres deliver consistent and comprehensive developmental programs.
- The *Day Nurseries Act* and ministry-developed information materials provided little specific direction to individuals providing child care. What direction was provided was subject to broad interpretation and was sometimes missing critical updates.
- While the timeliness of licensing inspection had improved since our last audit, the tools used by ministry staff to assess program delivery required these staff to exercise a significant degree of discretion and interpretation. Many ministry staff responsible for licensing and monitoring program delivery did not have an early childhood education background or equivalent experience, and would therefore have benefited from additional guidance.
- The licensing checklists used during the Ministry's annual inspections of child-care facilities addressed health and safety issues, but did not adequately assess the quality of care or developmental opportunities provided.

- Funding inequities contributed to comparatively low salaries in some centres, difficulties in staff recruitment and retention, and high caregiver turnover, further raising the risk that child-care services provided were not of a consistently high quality across the province.

We also concluded with respect to funding that the Ministry's policies and procedures did not ensure that transfer payments to CMSMs were based on an appropriate assessment of sufficiently detailed financial and operational information nor did they ensure that they were adequately controlled.

Many of our observations and recommendations on funding issues in our *2005 Annual Report* were similar to those reported in 1999 and 1995. Although the Ministry had agreed to take corrective action in previous years, sufficient action had not been taken.

## Current Status of Recommendations

According to information obtained from the Ministry of Children and Youth Services, progress is being made in implementing our 2005 recommendations relating to program quality. However, with respect to our recommendations relating to program funding and reporting, while some action has been taken, considerably more needs to be done. The current status of action taken on each of our recommendations is as follows.

### PROGRAM QUALITY

#### Curriculum Development and Direction to Caregivers

##### Recommendation

*To encourage consistent quality in the delivery of child care in Ontario and to meet the Ministry's objectives of providing children with the best possible start in life,*

*the Ministry should develop a child-care curriculum framework and implement more detailed and helpful guidance to assist child-care staff in providing consistently high quality developmental learning opportunities.*

##### Current Status

The Ministry had established a Best Start Expert Panel on Early Learning, made up of professionals from the early childhood education and the formal education sectors in Ontario. This panel is part of the Ministry's Best Start Plan, which was launched in 2004 as Ontario's strategy to give all of Ontario's young children and families access to high-quality, evidence-informed early learning experiences. The goal of the plan is to enhance the early learning and healthy development of the province's children to prepare them to achieve success in school by the time they start grade 1.

The panel completed research and background work and developed a child-care curriculum framework for which provincial organizations and advisory groups provided feedback in fall 2006. A final report, which included recommendations, titled *Early Learning for Every Child Today: A framework for Ontario's early childhood settings*, was published in December 2006. This report is a guide to support curriculum development in Ontario's early childhood settings.

We were informed that the Minister had met with the expert panel to discuss the report and its many recommendations. Although the panel's recommendations had not been implemented at the time of our follow-up, the Ministry advised us that it was developing an engagement strategy to build support for the importance of *Early Learning for Every Child Today*.

#### Child-care Staff Qualifications and Training

##### Recommendation

*To help ensure that child-care services provided in Ontario are of high quality, the Ministry should:*

- assess, approve, and appropriately document that all child-care centre supervisors have the prerequisite early childhood education qualifications and work experience;
- consider the advisability of establishing minimum educational requirements and/or work experience for any other caregiver staff without early childhood education or equivalent qualifications; and
- develop guidance for the ongoing professional development of child-care centre staff.

### Current Status

As we noted in our 2005 Annual Report, the Director at each ministry regional office is required to assess and approve the qualifications of each centre's supervisor in writing, and a copy of that letter is to be placed in the licensing file for that centre. In December 2005, regional offices were directed to review their procedures for these approvals, and in June 2006, regional offices were asked to review 5% of the files to ensure that supervisors had the required qualifications and experience working in a child-care centre and that documentation was on file to support the determination.

The regional offices reported on the results of the review in December 2006. Their reports indicated that all regional offices had procedures in place for approving district care centre supervisors, and most files reviewed contained the required Director's approval. Around the same time, the checklist used by the Ministry when conducting formal licensing inspections of child-care centres and agencies was revised to include a review of procedures and files as part of the annual licensing process.

As part of the Ministry's Best Start Plan, an Expert Panel on Quality and Human Resources published a report in March 2007, titled *Investing in Quality: Policies, Practitioners, Programs and Parents*. This report, which the Ministry has received and endorsed, establishes a target time frame of sometime in the 2008/09 fiscal year to have

province-wide quality standards for early learning and care programs, including recommendations on establishing educational requirements for caregivers.

The Ontario government also recently passed legislation to create a regulatory College of Early Childhood Educators that is to establish consistent professional standards for Ontario's early childhood educators and help ensure that children who attend early learning and care programs in Ontario are being cared for by qualified professionals.

## Licensing and Inspections

### Recommendation

*To improve the effectiveness of the annual licensing inspection and help assess the quality of the services provided by licensed child-care centres, the Ministry should ensure that:*

- the timing of annual licensing inspections is less predictable;
- the nature and extent of the work conducted during the annual licensing inspections is sufficient to assess the quality of services, and this work is adequately documented; and
- the annual licensing inspections are conducted by qualified staff possessing either a formal early childhood education degree or diploma or equivalent qualifications and experience.

### Current Status

We noted that annual licensing inspections were generally completed on time prior to the expiry of the license of each child-care centre or agency. However, at the time of our follow-up, the Ministry had not acted on our recommendation to ensure that the timing of inspections be less predictable, indicating that its priority was to complete the inspections on time.

The Ministry has made some improvements in conducting and documenting the annual licensing inspections since the time of our last audit. For example, checklists have been revised to include

assessing compliance with new legislation such as the *Safe Drinking Water Act, 2002* and the *Smoke-Free Ontario Act*, as well as with new policies such as those for nutritional requirements and communicable-disease reporting. However, evaluation of program quality was still not being specifically addressed because the current inspections are intended to ensure that service providers meet only the minimum requirements set out in the *Day Nurseries Act*.

We also found that there had not been a change in the qualification requirements of the licensing staff. Ministry staff responsible for the licensing function were still not required to have, and in many cases did not have, formal early childhood education qualifications, although the Ministry will continue to provide them with applicable training and support.

## Serious Occurrences

### Recommendation

*In accordance with its own policy, the Ministry should ensure that:*

- *all serious occurrences at child-care centres are reported within the required 24-hour deadline; and*
- *serious-occurrence follow-up reports are received and reviewed and, where applicable, the corrective action to be taken is approved on a timely basis.*

### Current Status

Since the time of our 2005 audit, regional offices have been directed to review their serious-occurrence reporting procedures and to undertake spot checks as part of the 2006 licensing inspections. As well, at the time of our follow-up, the Ministry had a pilot project with a service provider under way whereby a licensed child-care provider can report directly to the Ministry through a web link, thus facilitating more timely reporting.

We reviewed a sample of serious-occurrence reports and found that the Ministry generally received and reviewed them, and approved whatever corrective action was necessary, on a timely basis.

## FUNDING

### Recommendation

*To promote greater consistency and fairness in the determination of eligibility for the province's child-care fee subsidy, the Ministry should:*

- *ensure that any variances in allowable expenditure limits for applicants being assessed are reasonable and clearly attributable to local conditions; and*
- *conduct the required annual fee-subsidy-file reviews in accordance with the Ministry's policy to ensure that only eligible applicants are being subsidized and that the subsidy has been correctly calculated.*

### Current Status

The Ministry implemented a new fee-subsidy model in January 2007, which is income-based, as opposed to needs-based as in the past. This new approach resolves our concerns regarding variances in allowable expenditure limits for applicants being assessed for fee-subsidy eligibility.

We reviewed a sample of fee-subsidy files under the new fee-subsidy model and found that only eligible recipients received subsidies and that the subsidies provided were correctly determined.

## Waiting Lists

### Recommendation

*The Ministry should collect information on the number of children waiting for subsidized child-care spaces in each jurisdiction in order to more effectively assess service pressures and to help it more fairly distribute both ministry funding and the significant additional funding expected from the federal government.*

### Current Status

The Ministry had not acted on our recommendation regarding using fee-subsidy wait lists to help it decide how to distribute funding. However, it indicated that consolidated municipal service managers would be required to develop policies relating to fee-subsidy wait lists by January 1, 2008.

## Wage Subsidy

### Allocation of Funding

#### Recommendation

*To help ensure the equitable distribution of wage-subsidy funding among child-care providers in Ontario, the Ministry should review the objectives and design of the wage-subsidy program so that funding allocations are based on assessed needs rather than on historical allocations.*

### Current Status

To address this recommendation and to make funding to child-care providers needs-based, a new Wage Subsidy Guideline was issued in May 2006, requiring child-care providers to apply for subsidies on the basis of staffing costs and the number of children in care.

We reviewed a sample of wage subsidies granted under the new guideline and found that service providers were applying for these subsidies using the new formula as required. However, we also found that the amounts of wage subsidies being granted were still being based on historically funded amounts.

### Monitoring of Subsidy Funding

#### Recommendation

*To assess that wage-subsidy funds for child-care workers are spent in accordance with program requirements, the Ministry should implement adequate oversight procedures.*

### Current Status

Regional offices were directed in December 2005 to review 5% of their consolidated municipal service managers' (CMSMs') wage-subsidy files. Although these reviews were generally completed, the resultant documentation did not adequately indicate whether wage-subsidy grants were spent in compliance with program requirements.

In addition, as was the case at the time of our audit in 2005, CMSMs did not certify to the Ministry that the required wage-subsidy reports, which are intended to indicate how wage-subsidy grants were actually spent, were received from their service providers. As a result, the Ministry's oversight of the wage-subsidy program continues to be limited.

We were advised that, in the 2006/07 and 2007/08 fiscal years, wage improvement funds were provided to all CMSMs and district social services administration boards. We reviewed this funding at one CMSM for 2006/07 and found that, instead of being used for staff wage subsidies, the funding was used for parent fee subsidies, which that CMSM considered to be a higher priority.

## Submission and Approval of Budgets

### Recommendation

*To ensure that agencies providing child-care services receive funding based on the relative need for subsidized child care in each municipality, the Ministry should:*

- *require that consolidated municipal service managers (CMSMs) report information that is sufficiently detailed and relevant to the Ministry's funding decisions;*
- *critically assess CMSMs' budget requests to ensure that approved funding amounts are commensurate with the value of the services to be provided by the delivery agencies; and*
- *review and approve budget requests on a more timely basis.*

### Current Status

In an attempt to help ensure that funding provided to agencies is based on relative need, the Ministry had revised the information that agencies were expected to submit and had developed new revenue and expenditure worksheets that were expected to be completed as part of the annual budgeting process for the 2006/07 and later fiscal years. However, as of the time of our follow-up, the Ministry's changes to the annual budgeting process had not yet effectively addressed our recommendations because:

- Over half of the agencies reviewed had not provided information with respect to the revised service data elements and had not completed the expected revenue and expenditure worksheets;
- There continued to be a lack of evidence that budget submissions received were reviewed; and
- Many agencies continued to receive their final budget approval after the end of the fiscal year to which it related.

We were advised by the Ministry that, in 2007/08, it would be providing more training to program and finance staff on the budget submission process that would focus on controllership activities, due diligence, and accountability.

### Quarterly Reporting

#### Recommendation

*To facilitate the assessment of performance against agreed-upon targets for funding provided to consolidated municipal service managers (CMSMs) for the provision of child-care services, the Ministry should ensure that:*

- *quarterly reports by CMSMs are received and reviewed by the required due date; and*
- *all significant variances between what was budgeted and what was spent have been satisfactorily explained and any required corrective action identified.*

### Current Status

We reviewed the quarterly reporting process and found that most quarterly reports continue to be received late, some by over six months. Although regional offices were directed to apply sanctions where reports are not received on a timely basis, we noted that the sanctions were often not applied.

The Ministry has automated the process of analyzing the quarterly reports and has developed a standardized electronic package that flags significant variances and requires an explanation and action plan. The flagging of the significant variances appeared to be working, but in the majority of cases we reviewed, the explanations and actions plans had either not been provided or had not been provided in sufficient detail.

### Annual Program Expenditure Reconciliation

#### Recommendation

*To more effectively identify funding surpluses and inappropriate or ineligible expenditures, the Ministry should ensure that the audited financial statements accompanying the Annual Program Expenditure Reconciliations (APERs) are sufficiently detailed to permit the identification of specific child-care-related expenditures and the reconciliation of the financial statement to the APER-reported actual expenditures.*

#### Current Status

A new APER template was designed for 2005/06; service providers were requested to complete and send in the new template along with their APER submission. According to the Ministry, the template was designed to provide it with more detailed expenditure information and required that total revenues and expenditures on the template agree with information in the audited financial statements. However, at the time of our follow-up, completion of the template was optional and many service providers were not submitting it.

In addition, the consolidated financial statements continued to lack the necessary detail to identify

ineligible or inappropriate expenditures as well as program surpluses.

At the time of our follow-up, the Ministry was continuing to work toward making revisions to the APER process in an attempt to address our audit concerns and was drafting some changes for the 2007/08 fiscal year, such as developing a new chart of accounts to provide more detailed information.

## MANAGEMENT INFORMATION SYSTEM

### Recommendation

*The Ministry should ensure that the information captured in its Service Management Information System (SMIS) for child-care services is sufficiently detailed to enable it to make informed funding decisions and to subsequently identify significant actual-to-budget variances.*

### Current Status

The consolidated municipal service managers (CMSMs) use the Ontario Child Care Management System (OCCMS) to manage the child-care system at the individual CMSM level. Upgrades to OCCMS are made on a regular basis. Work is under way on an OCCMS upgrade that will link consolidated municipal service managers/district social services administration boards with the Ministry's Service Management Information System, enabling the Ministry to directly access child-care system data. Owing to the complex changes in OCCMS required for the new data elements and the applicant income tests, the target for direct access to child-care system data by the Ministry at the time of our follow-up was fall 2007.