

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **CHILD CARE ACTIVITY**

(Section 3.04, 2005 Annual Report of the Auditor General of Ontario)

2<sup>nd</sup> Session, 38<sup>th</sup> Parliament  
55 Elizabeth II

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The Honourable Michael A. Brown, MPP  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

Norman Sterling, MPP  
Chair of the Committee

Queen's Park  
November 2006

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**MEMBERSHIP LIST**

2<sup>nd</sup> Session, 38<sup>th</sup> Parliament

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## PREAMBLE

The Standing Committee on Public Accounts held hearings on the Auditor General's (the Auditor's) 2005 audit of the Ministry of Children and Youth Services' Child Care Activity (section 3.04 of his *2005 Annual Report*) on March 30, 2006. The Committee has endorsed the Auditor's findings and recommendations.

This report constitutes the Committee's findings and recommendations. Background information on sections of the original audit report is followed by an overview of the hearings' main findings and, as appropriate, new recommendations. *Hansard*, the verbatim record of the hearings, should be consulted for the complete proceedings.

## Acknowledgements

The Committee extends its appreciation to officials from the Ministry of Children and Youth Services for their attendance at the hearings. The Committee also acknowledges the assistance provided during the hearings and report writing deliberations by the Office of the Auditor General, the Clerk of the Committee, and staff of the Legislative Library's Research and Information Services.

## 1. AUDIT OBJECTIVES AND MAIN FINDINGS

The audit's objectives were to assess whether the Ministry's policies and procedures were adequate to ensure that:

- quality child-care services were provided in compliance with legislative requirements and with the Ministry's goal of fostering early learning and childhood development; and
- transfer payments to Consolidated Municipal Service Managers (CMSMs) for fee and wage subsidy expenditures are reasonable and adequately controlled.

Work was conducted at the Ministry's corporate office, three of nine regional offices, CMSMs, and child-care centres. Two child-care academic experts assisted with the assessment of Activity operations. The audit was completed by April 2005.<sup>1</sup>

The Auditor concluded that the Ministry needed to better define and communicate program expectations to child-care centres, and systematically monitor and assess their implementation. More specifically, he observed that

- Ontario has not yet delivered adequate curriculum guidance to help child-care centres deliver consistent and comprehensive developmental programs;
- the *Day Nurseries Act* and Ministry materials provide little specific direction to individuals providing child care. What direction is provided is subject to broad interpretation and sometimes missing critical updates;

- program delivery assessment tools require a significant degree of discretion and interpretation. Many Ministry staff responsible for licensing and monitoring program delivery do not have an early childhood education (ECE) background or equivalent experience;
- the licensing checklists used during the Ministry's annual facility inspections addressed health and safety issues, but did not adequately assess the quality of care or developmental opportunities provided; and
- funding inequities contributed to comparatively low salaries in some centres, difficulties in staff recruitment and retention, and high caregiver turnover.

The Auditor also concluded that the Ministry's funding policies and procedures did not ensure that transfer payments to CMSMs were reasonable and adequately controlled. Many of the funding issues raised by the Auditor, such as relating funding to needs and verifying eligibility for subsidized child-care spaces, were similar to those reported in earlier audits of this program.<sup>2</sup>

## **2. COMMITTEE REQUEST FOR MINISTRY RESPONSE**

The Committee requests that the Ministry of Children and Youth Services provide the Committee Clerk with a written response within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified in a recommendation, as is the case in recommendations 2, 3 and 8.

### **2.1 Committee Recommendations**

1. The Ministry of Children and Youth Services track child-care spaces outside of the school-based system to ensure their continued stability and to ensure gains in the school-based system will not be offset by space reductions in non-school-based centres.
2. The Ministry of Children and Youth Services report to the Committee on how the Expert Panel on an Early Learning Framework responds to the Auditor's recommendations with respect to a child-care curriculum framework, and the need for more detailed and helpful guidance to assist child-care staff in providing developmental learning opportunities, and what the Ministry plans to do in response.
3. The Ministry of Children and Youth Services report to the Committee on what the Expert Panel on Quality and Human Resources says in its report about the qualifications and work experience of early childhood education (ECE) supervisors, minimum educational qualifications for caregiver staff without ECE or equivalent qualifications, on-going professional development, and ECE wages, and what the Ministry plans to do in response.

The Committee requests that the Ministry provide the Committee Clerk with a written response to recommendations 2 and 3 by March 1, 2007.

4. The Ministry of Children and Youth Services provide the Committee with an update on the creation of a college of early childhood educators and its development of a mandate for that body.
5. The Ministry of Children and Youth Services provide the Committee with a status report on its development of a province-wide income test model, and what if any impact the federal government's Universal Child Care Benefit will have on the model chosen.
6. The Ministry of Children and Youth Services report to the Committee on the progress it and municipalities are making in obtaining wait list information for both total spaces and subsidized spaces. The Ministry is also asked to report on how the introduction of a consistent, province-wide income test model will affect those efforts and the issue of availability versus eligibility.
7. The Ministry of Children and Youth Services report to the Committee on what if any recommendations the Expert Panel on Quality and Human Resources has made for simplifying the wage subsidy so that allocations are based on assessed needs rather than historical allocations and for implementing adequate oversight, particularly in light of new funding allocations.
8. The Ministry of Children and Youth Services provide the Committee with a status report on the upgrade of the OCCMS management information system. The Committee requests that the Ministry provide the Committee Clerk with a written response to this recommendation within 30 days of the tabling of this report in the Legislature.

### 3. OVERVIEW

The Ministry of Children and Youth Services' Child Care Activity is administered under the authority of the *Day Nurseries Act*. The Ministry develops policies and procedures for licensed child care which encompasses both private home day care agencies and child-care centres.

The Activity's main responsibilities include inspecting, licensing and monitoring child care operators caring for more than five children; subsidizing the child-care costs of parents in need with children up to the age of 12, directly through fee subsidies or indirectly through wage subsidies to child-care agencies; and providing funding for community-based resource centres. Access to subsidized spaces is limited by their availability, which is determined by available funding.

At the time of the hearings, Ministry staff reported that the child-care system had a licensed capacity of approximately 230,000 spaces. (See the table on page 6 for greater detail.) The number of children aged zero to six within the system was about 130,000 to 134,000.<sup>3</sup>

Licensed child care is delivered through municipalities. The province's 47 consolidated municipal service managers (CMSMs) and the district social service administration boards (DSSABs) are key partners in delivering child-care services. Funding for services is generally cost-shared and based on agreements

negotiated with each manager. The province funds 80% of prescribed services. Administration costs are shared 50/50. In unorganized communities, the province funds 100% of the costs.

Ministry child care expenditures in 2004/05 totalled \$575.4 million. Over two-thirds of that amount, \$409 million, was allocated to fee and wage subsidies. Another \$58.2 million went to expenditures funded by the Multilateral Framework (see below) signed by the federal and provincial governments in March 2003.<sup>4</sup>

### **3.1 Federal-Provincial Agreements**

The federal, provincial and territorial social services ministers released the Multilateral Framework on Early Learning and Child Care on March 13, 2003. Regulated early learning and child care programs for children under six were to receive \$900 million in federal funding over the next five years. Funds began flowing in November 2003 through the Canada Health and Social Transfer. Most were to be allocated in the last three years of the agreement. Money could be invested in programs in a variety of settings (e.g., child-care centres, family child-care homes) and used to support expenditures such as capital and operating costs, fee subsidies, and wage enhancements.<sup>5</sup>

The February 2005 federal budget included a commitment to invest \$5 billion over five years “to enhance and expand high-quality developmental early learning and child care in collaboration with provinces and territories.” The federal and Ontario governments announced an agreement-in-principle regarding child care on May 6, 2005.<sup>6</sup>

On November 25, 2005, the federal Minister of Social Development and Ontario’s Minister of Children and Youth Services signed a multi-year funding agreement on early learning and child care. Ontario was to receive approximately \$1.9 billion over five years.<sup>7</sup>

In late February 2006, the province received formal notification from the new federal Conservative government that it was terminating the November 2005 agreement in 2007/08. In 2006/07, Ontario will receive a one-time final transfer payment of \$254 million. The 2006 Ontario budget announced that this money will be allocated over four years and provide \$63.5 million per year to support the implementation of Best Start (see below) and stabilize the system.<sup>8</sup>

### **3.2 Best Start<sup>9</sup>**

Best Start was initiated by the province in November 2004 and is expected to take 10 years to fully implement. Its goal is to help prepare more children for learning and achieving success by the time they reach grade 1. At the time of the hearings, the Ministry was implementing Best Start in three demonstration communities: the District of Timiskaming, Hamilton and Lambton-Chatham-Kent.<sup>10</sup>

Best Start’s goals include increasing access to services and supports, integrating pre-school, junior and senior kindergartens, child care, public health and parenting programs into a seamless system, and strengthening early and on-

going screening. Under Best Start, new or existing elementary schools “are the first choice for the expansion of child care space.”<sup>11</sup>

The Minister sent a letter to municipalities shortly before the hearings outlining the government's direction with respect to how it is going to proceed with Best Start in the current funding environment. The Ministry planned to hold an information session with municipalities in the near future.<sup>12</sup>

### **3.3 New Spaces**

More than 4,000 new subsidized child care spaces were created by the province and its municipal partners in 2004/05. Municipal officials indicated that with federal funding from 2005, approximately 8,500 new child care spaces were expected to be in place by the end of March 2006. This number was expected to grow to approximately 14,000 by September 2006. Many of the spaces are being established in schools, in keeping with the objectives of Best Start.<sup>13</sup>

#### *Funding*

The government's key priority is to sustain and secure the spaces that municipalities have created. It will combine the one-time transfer of \$254 million with funding from the 2003 Multilateral Framework agreement. This will result in \$122.5 million available for Best Start in 2006/07, growing to \$142.5 million in 2007/08.<sup>14</sup>

#### **Capital**

While changes to some centres will require only minor renovations, funds for 2005/06 contained an allocation for major capital to build new centres or undertake major renovations. Only new and existing not-for-profit operators were eligible to receive this money. While the cost of building a new space varies significantly across the province, the Ministry has determined an average cost of \$15,000 per space. Under Best Start, funds used in the first year to support capital expansion will become operating dollars the next year.<sup>15</sup>

#### **Operating**

Operating allocations in 2005/06 could be used for purposes such as equipment, resource teachers and assessing eligibility for fee subsidies, as well as fee and wage subsidies.<sup>16</sup>

#### *Spaces in Schools*

In response to concerns about Best Start's preference for spaces in schools, Ministry staff recognized that those operators working outside of the school system would face challenges. At the same time, they reminded Committee members that the decision on who the operators of new spaces will be is local, even though the Ministry establishes guidelines around service provision and expectations.<sup>17</sup>

The Ministry of Children and Youth Services is involved in ongoing discussions with the Ministry of Education about resolutions to those situations where increased school enrolment could threaten the maintenance of an on-site child-care centre. In the current round of child care expansion, one of the steps being

taken is the insertion of a security of tenure clause in lease agreements with boards. Some discussions continue to take place on a case by case basis.<sup>18</sup>

### 3.4 Expert Panels

In March 2005, the provincial government stated that it was establishing three expert panels related to early learning. All three would report their findings over the following two years. The panels are:

- the Getting it Right at 18 Months Expert Panel;
- the Expert Panel on an Early Learning Framework; and
- the Quality and Human Resources Expert Panel.<sup>19</sup>

#### Supplementary Information

Following the hearings, the Committee received data on licensed child-care centres and private home day care agencies as of March 31, 2003, 2004 and 2005.

DATE (as of)	CHILD CARE CENTRES		HOME DAY CARE AGENCIES	
	#	Capacity	#	Enrolment
March 31, 2003	3,768	183,423	137	18,553
March 31, 2004	3,874	187,131	140	19,838
March 31, 2005	3,948	193,738	141	19,392
March 31, 2006	4,175	210,127	144	19,748

**Sources:** Memorandum from Deputy Minister, Ontario Ministry of Children and Youth Services, Toronto to Clerk, Standing Committee on Public Accounts, 28 April 2006; and e-mail from staff, Strategic Issues and Media Analysis, Communications and Marketing Branch, Ontario Ministry of Children and Youth Services, Toronto to Researcher, Standing Committee on Public Accounts, 2 October 2006.

As of June 19, 2006, almost 15,000 new child care spaces were expected for September 2006. Approximately 60% were expected to be in schools. More definitive numbers would be available in the fall.<sup>20</sup>

### Committee Recommendation

The Committee recommends that:

1. **The Ministry of Children and Youth Services track child-care spaces outside of the school-based system to ensure their continued stability and to ensure gains in the school-based system will not be offset by space reductions in non-school-based centres.**

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## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### 4. PROGRAM QUALITY

#### 4.1 Curriculum Development

Research since the 1960s has demonstrated the importance of access to systematic programs that foster development in all areas so young children can make steady progress and achieve appropriate developmental outcomes in preparation for school and formal learning. However, audit staff found very little direction on programming and no specific requirements for a curriculum framework to ensure the promotion of consistent and comprehensive development among child-care centres (centres). Reference was made to a 2004 Organisation for Economic Co-operation and Development (OECD) report which concluded that most Canadian provinces lacked the curriculum frameworks necessary to support quality programs or the kinds of experiences that would enhance a child's development.<sup>21</sup>

#### 4.2 Direction to Caregivers

A review of the *Day Nurseries Act* and its regulations, the *Day Nurseries Manual*, and the Ministry's internal directives and guidelines, found that they provided guidance on a number of structural and operational matters. In many other areas, the information provided required the exercise of a high degree of individual discretion and did not facilitate the implementation of a program consistent with the Ministry's philosophy and goals. Audit staff also noted that the *Day Nurseries Manual*, as well as internal directives and guidelines, had not been updated since 2000.

The Auditor recommended that the Ministry 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.<sup>22</sup>

#### Committee Hearings

The Expert Panel on an Early Learning Framework has been charged with developing a framework that supports a seamless transition from early learning to formal education, linking preschool learning with junior and senior kindergarten programs. The Panel's report is expected in the fall of 2006.<sup>23</sup>

#### Supplementary Information

The members of the Expert Panel on an Early Learning Framework represent teachers, academia, the Ministry of Education, and children's services, as well as First Nations and francophone organizations.<sup>24</sup>

The Committee has also learned that the Ministry anticipates receiving the Expert Panel's report in late December 2006 or January 2007.<sup>25</sup>

### 4.3 Child-Care Staff Qualifications and Training

Centre supervisors and at least one caregiver per age group must have a recognized early childhood education (ECE) qualification or equivalent academic qualifications. A supervisor must also have two years experience working in a centre. Regional directors are required to assess and approve a supervisor's qualifications in writing. A copy of the letter is put in each centre's licensing file. A review of these files found that about 10% did not contain the letter. Unlike some provincial jurisdictions, the Ministry has not established minimum requirements for the staff training and development to be provided by each centre. The audit also found that funding inequities have contributed to comparatively low salaries in some centres, high turnover, and difficulties in recruitment and retention.

The Auditor recommended that the Ministry assess, approve, and appropriately document that all child-care supervisors have the prerequisite ECE qualifications and work experience. Consideration should be given to the advisability of establishing minimum educational requirements and/or work experience for any other caregiver staff without ECE or equivalent qualifications. He also recommended the development of guidance for the ongoing professional development of child-care centre staff.<sup>26</sup>

#### Committee Hearings

In December 2005, regional offices were directed to review centre files to ensure that appropriate documentation about ECE qualifications and child care centre supervisors' experience was up to date and on file.

The Expert Panel on Quality and Human Resources is focused on the relationship between qualified staff, the delivery of quality programs and better outcomes for children. It is examining key issues such as staff qualifications, professional development standards, recruitment and retention, compensation, and training. A report is expected in the fall of 2006.

Work continues on the creation of a college of early childhood educators. This new body will be responsible for setting qualifications and standards for ECE professionals, and establishing requirements for professional development.<sup>27</sup> The Ministry has completed an initial round of consultations and is developing the college's primary mandate. There is a commitment to having a college (or part of it) in place during the government's current mandate.<sup>28</sup>

#### Supplementary Information

The members of the Expert Panel on Quality and Human Resources represent a variety of related backgrounds, including child care, school boards (English and French), academia, human resources, and children's services.<sup>29</sup>

The Committee has also learned that the Ministry anticipates receiving the Expert Panel's report in late December 2006 or January 2007.<sup>30</sup>

## 4.4 Licensing and Inspections

All centres and private-home child-care agencies caring for more than five children under the age of 10 must be licensed under the *Day Nurseries Act*. Licences are issued before operations begin and on an annual basis in the following years. A formal inspection is conducted before a licence is issued or renewed and involves a site visit and the completion of a checklist. A review of the licensing process and completed checklists found that the existing process did not effectively assess the quality of services provided.

The Auditor recommended that the Ministry ensure that the timing of annual inspections is less predictable. The nature and extent of the work conducted during annual inspections should be sufficient to assess the quality of services, and adequately documented. He also recommended ensuring that annual inspections are conducted by qualified staff possessing either a formal ECE degree or diploma or equivalent qualifications and experience.<sup>31</sup>

### Committee Hearings

The Ministry is updating the licensing checklist and manuals to reflect the most recent requirements for compliance and documentation. The new checklist will confirm, for instance, a staff list, the age groups of children with whom staff members work and the hours they spend with children. This will help verify that staff-child ratios are maintained. Updates are expected to be completed in the fall. Licensing inspectors or program advisers will be fully trained in the new requirements.

Under the *Day Nurseries Act*, Ministry staff are responsible for inspecting facilities to enforce licensing requirements. (Licensing staff have basic qualifications in ECE or a social service diploma, as well as a sound knowledge of children's services, healthy child development, special needs, and resourcing.<sup>32</sup>) To better support this goal, the Ministry established a licensing and compliance review working group. It provides a structured forum for regional program and compliance managers to plan for and manage the requirements of licensing and compliance functions. It also allows them to better share information and best practices, and identify training needs.

The Ministry is moving forward on an on-line licensing system that will be maintained in real time. A test had just been completed at the time of the hearings. When fully operational, the system will improve monitoring and give program advisers immediate access to the most recent information when they are on-site at a facility, as well as better and more consistent documentation.<sup>33</sup>

### Supplementary Information

Following the hearings, the Committee was advised that since 2000 the Ministry had issued notices of direction for emergency closures and notices of intention to revoke or refuse to renew a licence to 14 child care centres.<sup>34</sup>

## Committee Recommendations

The Committee recommends that:

**2. The Ministry of Children and Youth Services report to the Committee on how the Expert Panel on an Early Learning Framework responds to the Auditor's recommendations with respect to a child-care curriculum framework, and the need for more detailed and helpful guidance to assist child care staff in providing developmental learning opportunities, and what the Ministry plans to do in response.**

**3. The Ministry of Children and Youth Services report to the Committee on what the Expert Panel on Quality and Human Resources says in its report about the qualifications and work experience of early childhood education (ECE) supervisors, minimum educational qualifications for caregiver staff without ECE or equivalent qualifications, on-going professional development, and ECE wages, and what the Ministry plans to do in response.**

**The Committee requests that the Ministry provide the Committee Clerk with a written response to recommendations 2 and 3 by March 1, 2007.**

**4. The Ministry of Children and Youth Services provide the Committee with an update on the creation of a college of early childhood educators and its development of a mandate for that body.**

### 4.5 Serious Occurrences

All licensed operators must report serious occurrences to the Ministry within 24 hours. A written follow-up must be sent to and reviewed by the Ministry within seven working days. A review of files at some regional offices found that one-third of incidents were reported after the 24-hour deadline (on average seven days after) and almost half of the required follow-ups were submitted after the seven working days deadline (on average 88 days after).

The Auditor recommended that the Ministry ensure that all serious occurrences are reported within the required 24-hour deadline, and that follow-up reports are received and reviewed and, where applicable, the correction to be taken is approved on a timely basis.

In its initial response, the Ministry reported that operators have the primary responsibility for initially reporting serious occurrences and providing follow-up reports. The Ministry will continue to work closely with them to meet policy requirements. The Ministry, in partnership with operators, is piloting an automated approach to serious-occurrence reporting that would provide accurate and timely data on the status of all serious occurrences.<sup>35</sup>

## Committee Hearings

Policies and procedures are in place to ensure that serious occurrences are reported and reviewed. Regional offices have been directed to improve compliance monitoring.<sup>36</sup>

## 5. FUNDING

### 5.1 Fee Subsidy

Fee subsidies are provided for children whose parents are defined as being in need. An eligible parent may choose to place their child in any centre in their area with an available subsidized space. Eligibility is based on family composition, monthly income, budgetary needs, and liquid assets. CMSMs may exercise discretion in establishing maximum allowable limits for deductible expenditures affected by local conditions. Previous audits noted concerns with the exercise of discretion in determining these limits. While the Ministry had generally agreed with earlier findings and recommendations, and said it would take action to ensure greater consistency across the province, the current audit found significant differences that were not justified by local conditions. It also found that information regarding income and liquid assets was incorrectly assessed in some cases, resulting in higher than needed subsidies.

Since 2000, the Ministry has required regional offices to annually review 5% of eligibility files. The audit found that the required file reviews for the majority of CMSMs had not been conducted in the most recent two years.

The Auditor recommended that the Ministry ensure that any variance in allowable expenditure limits for applicants being assessed are reasonable and clearly attributable to local conditions. He also recommended conducting 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.<sup>37</sup>

## Committee Hearings

Municipalities manage the child care system and determine eligibility for fee subsidies. Eligibility is based on a needs test. The government is committed to changing this and moving to an income test. A model is being developed; a number of options are being examined. The new test will have province-wide application and will provide greater fairness and standardization.

In accordance with Ministry policy, in December 2005 regional offices were directed to review a minimum of 5% of fee subsidy files.<sup>38</sup> At the time of the hearings, 119,000 families (with children aged zero to 12) were receiving a subsidy.<sup>39</sup>

The Committee was reminded that the number of children supported by fee subsidies is largely determined by the resources available for fee subsidies. While Best Start is expanding the system to make access more available, the number of fee subsidies the system is able to support will be dependent on the income test model used.<sup>40</sup>

### Supplementary Information

In response to a request made during the hearings, the Committee was advised that the fee subsidy data currently available was not broken down by age groups. It is collected for the number of children and families served, and school-aged children and families served in recreation programs. Data elements had been revised and will now require reporting on fee subsidy usage by different age groups. In 2006/07, in addition to the total number of children and families receiving fee subsidy, the average monthly number of children receiving fee subsidy will be collected by infants, toddlers, preschoolers, junior and senior kindergartens, school-aged children, and school-aged children served in recreation programs.<sup>41</sup>

The Committee has also learned that as of June 2006, the Ministry had gathered data from five communities to help in the development of an income test model, the identification of key implications and the addressing of any issues. At the same time, the Ministry was assessing what if any impact the federal government's Universal Child Benefit would have on the model.<sup>42</sup>

## 5.2 Waiting Lists

If a subsidized place is not available at assessment for the child of a parent eligible for a fee subsidy, the child may be placed on a waiting list. Some lists are maintained by and for individual centres. Others are maintained collectively by a CMSM. The audit found that there is no standard approach to maintaining lists and no list information is provided to regional offices. A review of list information at CMSMs indicated that many children are waiting for subsidized spaces. In one region, a CMSM had received funding to create new spaces but had no waiting list.

The Auditor recommended that the Ministry 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 help it more fairly distribute both Ministry funding and the significant additional funding that was then expected from the federal government.<sup>43</sup>

In its initial response, the Ministry reported that prior to 2004, the Ministry's allocation process was largely historically-based, with initial allocations determined by a variety of factors, including municipal willingness to cost-share, local capacity to support service expansion, and local waiting lists.

The Ministry advised that factors such as the number of low-income families, the child population, a low level of parental education, the number of families for whom English is a second language, population density, and the rate of population growth are more effective indicators than waiting lists. The Ministry indicated that it has allocated all new child-care funds on this basis since 2003/04.<sup>44</sup>

## Committee Hearings

Municipalities are responsible for planning the delivery of child care at the local level, including setting targets for services to be provided. Local managers are able to conduct a comprehensive analysis, which reflects local priorities and helps to ensure fairness in the system.<sup>45</sup>

Ministry staff pointed out that there are two types of waits: one for a space and one for a subsidy. It is also possible for an individual to be on more than one list due to the lack of a unique identifier. (Ministry staff referred to this as a systems issue and not unique to child care.<sup>46</sup>) There is enough variation in needs testing across municipalities that a standardized income test will be a significant first step to taking a different look at wait times.<sup>47</sup>

The Ministry has to address the problem of wait-list management for all children's services. Some initial policy work has been completed, including consultations with municipalities.<sup>48</sup>

### **5.3 Wage Subsidy**

A wage-subsidy program to enhance caregiver wages and benefits was introduced in 1987.

#### *5.3.1 Allocation of Funding*

Grant funding has three components: direct operating grants (since 1987); wage enhancement grants (since 1991); and home provider enhancement grants (since 1992). Capped in 1993/94, grant distribution since has been based on funding allocated at that time. (Agencies receiving grants then continue to be funded; agencies unfunded then remain so.) The current audit noted that the wage-subsidy program continued to be inequitable as agencies that received funding in 1993/94 continued to receive the same amount of funding without any assessment of need. It also found that two of the three CMSMs visited did not receive and review the grant calculations that agencies are required to submit on an annual basis.

The Auditor recommended that the Ministry review the objectives and design of the wage-subsidy program so that funding allocations are based on assessed needs rather than historical allocations.<sup>49</sup>

In its initial response, the Ministry reported that communications had been sent to CMSMs outlining the Ministry's monitoring expectations, including yearly calculations of wage-subsidy amounts by centre and reallocation as appropriate, and the maintenance of a list of wage-subsidy pressures. It was also revising the child-care service requirements.<sup>50</sup>

#### *5.3.2 Monitoring of Subsidy Funding*

The 1999 audit expressed concerns regarding the monitoring of wage-subsidy funding. It reported that the Ministry indicated that CMSMs would be required to have service providers reconcile allocations against actual expenditures and obtain independent confirmation of the information provided. CMSMs would also be required to conduct random-sample reviews of the use of funds at least annually. The current audit found that this control process was not operating satisfactorily. A review of wage-subsidy files found several instances of non-compliance with the funding requirements.

The Auditor recommended that the Ministry implement adequate oversight procedures.<sup>51</sup>

In its initial response, the Ministry reported that communications had been sent to CMSMs regarding accountability expectations, including Special Purpose Reports from agencies, a list of the number of full-day-equivalent children by age group as part of the annual wage-subsidy recalculation, and systemic file reviews by the CMSM. Program requirements had been revised to highlight these expectations.<sup>52</sup>

### Committee Hearings

Revised wage subsidy guidelines have been provided to local system managers. The guidelines give direction on the distribution of wage subsidies and wage improvement funding. Regional offices have been notified of the importance of ensuring that wage subsidy funds are spent in accordance with program requirements. They are also undertaking a 5% review of wage subsidy files. Results will be fully analyzed to ensure compliance.<sup>53</sup>

Both for-profit and not-for-profit centres are eligible for wage subsidy. Ministry policy indicates that if a centre closes and wage subsidy becomes available, it can be redistributed among both types of existing centres.<sup>54</sup>

The Committee was told that the wage subsidy is meant to achieve a number of objectives: salary (subsidy and improvement), affordability, and assisting with some pay equity obligations. New funding is intended to provide more wage subsidy to support a broader range of workers, as well as the new workers expected with expansion.

The Expert Panel on Quality and Human Resources may be looking at ways to simplify the wage subsidy so that it is less complicated and its overall objectives are clearer.<sup>55</sup> (The average annual wage of an ECE worker was about \$23,000.<sup>56</sup>)

### Supplementary Information

The number of full-time equivalent staff receiving wage subsidy was 21,000, as of September 30, 2005. Members were alerted to the fact that the data was provided by CMSMs and DSSABs. The manner in which they collect data may be inconsistent.<sup>57</sup>

### Committee Recommendations

The Committee recommends that:

- 5. The Ministry of Children and Youth Services provide the Committee with a status report on its development of a province-wide income test model, and what if any impact the federal government's Universal Child Care Benefit will have on the model chosen.**
- 6. The Ministry of Children and Youth Services report to the Committee on the progress it and municipalities are making in obtaining wait list information for both total spaces and subsidized spaces. The Ministry is also asked to report on how the introduction of a consistent, province-wide income test model will affect those efforts and the issue of availability versus eligibility.**

**7. The Ministry of Children and Youth Services report to the Committee on what if any recommendations the Expert Panel on Quality and Human Resources has made for simplifying the wage subsidy so that allocations are based on assessed needs rather than historical allocations and for implementing adequate oversight, particularly in light of new funding allocations.**

#### **5.4 Submission and Approval of Budgets**

Each regional office receives an annual program expenditures allocation that is generally determined based on its previous years' expenditures. Regional offices enter into annual contracts with CMSMs based on each CMSM's budget submission package. CMSMs negotiate and enter into purchase-of-service agreements with centres. A review of these processes indicated that the Ministry did not have the information it needed to determine if the amounts approved and paid to CMSMs and then to agencies were based on need.

The Auditor recommended that the Ministry

- require that 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.<sup>58</sup>

In its initial response, the Ministry reported that strategies will also be established to enhance the expertise of both municipal and Ministry staff to analyze and make more effective use of the data required in service planning and resource allocation.

Revised child-care service management requirements will be distributed to the Ministry's regional offices and to CMSMs beginning in the summer of 2005.

Consistent with the designation of CMSMs as delivery agents under the *Day Nurseries Act*, the Ministry believes that the combination of child-care service plan and the budget submission prepared by the CMSMs provides information at an appropriate level of detail for the Ministry to approve budgets at the system level.

The fee-subsidy system is very dynamic and the mix of children, fee-subsidy costs, and the location of fee subsidies can fluctuate significantly from quarter to quarter. This often requires that a CMSM adjust the planning targets that were initially established. This must be done within approved funding levels.

The Ministry established time frames within the government business cycle. These will be revised to better accommodate the government business cycle and the funding approval processes for CMSMs. All service contracts allow funding to continue beyond the contract dates and require service levels to be maintained until a new service contract has been signed.<sup>59</sup>

## 5.5 Quarterly Reporting

CMSMs must submit quarterly year-to-date reports that include budgeted versus actual expenditures and service data. The first three are due 50 days after the end of a quarter. The fourth is due 65 days after year-end. CMSMs are required to explain and describe appropriate courses of action for all variances greater than 10% or \$10,000 for financial data and 5% for service data. About half of the reports reviewed were submitted past due dates. A number had variances of more than 10% or \$10,000 for financial data and 5% for service data.

Explanations for the variances were missing or insufficiently detailed. A review of regional office files found that descriptions of actions to be taken were usually very general and did not provide adequate details.

The Auditor recommended that the Ministry ensure that CMSMs' quarterly reports are received and reviewed by the required due date. He also recommended ensuring all significant variances between what was budgeted and what was spent have been satisfactorily explained and any required corrective action identified.

The Ministry's initial response reported that regions have been directed to apply the existing sanctions policy where CMSMs are late in submitting documentation such as quarterly reports. The sanctions policy outlines an incremental process that regional offices will use to acquire overdue documentation from CMSMs.

The Ministry recognized the need for a more consistent use of existing tools for identifying, analyzing, and following up on variances in the quarterly reports prepared by regional offices. Therefore, for 2005/06, the Ministry's business practices package included a standardized electronic format requiring an analysis of the variance and creation of an action plan to address the variance. Budget training on the new package began in March 2005.<sup>60</sup>

## 5.6 Annual Program Expenditure Reconciliation

CMSMs must prepare and submit an Annual Program Expenditure Reconciliation (APER), along with an audited financial statement, no later than four months after the end of a fiscal year. An APER should reconcile an approved budget with actual expenditures and identify program surpluses or deficits. Recovery of any surplus should begin no later than 12 months after the end of the calendar year in which it arose and be completed within 24 months. A review of a sample of APERS found that almost two-thirds were submitted past the due date. It also identified concerns similar to those found in 1999 related to the limited effectiveness of the process.

The Auditor recommended that the Ministry ensure that the audited financial statements accompanying the 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.

In its initial response, the Ministry reported that it would take the audit recommendation under consideration in reviewing the existing APER requirements to determine whether the APERS and audited financial statements are sufficiently detailed. Regional offices will continue to work with CMSMs to

meet established deadlines as well as the requirements for independent verification of expenditures.<sup>61</sup>

### Committee Hearings

An advisory group was set up to confirm that data required by the Ministry on child care was relevant. The review has been completed. Improved data requirements have been included in the budget package for 2006/07. Child care service management requirements are being updated across all program areas.

The Ministry's governance and accountability framework includes a transfer payment business cycle checklist. The 2006/07 budget package directs regions to use the checklist as a tracking tool to ensure overall better performance in providing child care services. Training continues to be provided to regional staff on transfer payment business process and accrual accounting.<sup>62</sup>

## 6. MANAGEMENT INFORMATION SYSTEM

Expenditure and service information is maintained in the Service Management Information System (SMIS). Regional staff enter information from CMSMs into the SMIS on a quarterly basis. Regional directors must confirm to the corporate office that the information in the SMIS is complete and accurate. This information is in total-summary form only and does not reflect such factors as the age of children served, related service costs for age categories, or the number of centres receiving wage-subsidy funding.

The Auditor recommended that the Ministry ensure that the information captured in its 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.

In its initial response, the Ministry reported that the SMIS allows for year-to-year comparisons to identify trends and to support provincial and regional planning. SMIS does not support in-year management of funds, which primarily occurs at the regional level, based on quarterly reports and variance explanations submitted by the CMSM.

CMSMs use the Ontario Child Care Management System (OCCMS) to manage the system at the individual CMSM level. The OCCMS contains detailed information on fee subsidies, wage subsidies, and other elements. Upgrades occur on a regular basis.<sup>63</sup>

### Committee Hearings

The Ministry has taken several steps to ensure that management information systems provide sufficiently detailed, relevant and accurate information to allow informed funding decisions and to identify actual-to-budget variances. The OCCMS, which is managed by the Region of York, is being upgraded to a web-based approach so that information can be shared across municipalities, as well as with the Ministry. The initiative was expected to be in place by June 2006.<sup>64</sup>

### **Committee Recommendation**

The Committee recommends that:

**8. The Ministry of Children and Youth Services provide the Committee with a status report on the upgrade of the OCCMS management information system.**

**The Committee requests that the Ministry provide the Committee Clerk with a written response to this recommendation within 30 days of the tabling of this report in the Legislature.**

## ENDNOTES

- <sup>1</sup> Ontario, Office of the Provincial Auditor, *2005 Annual Report* (Toronto: The Office, 2005), pp. 82-83.
- <sup>2</sup> *Ibid.*, pp. 7-8.
- <sup>3</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-80.
- <sup>4</sup> Office of the Auditor General, *2005 Annual Report*, pp. 81-82; and Standing Committee on Public Accounts, *Official Report of Debates*, p. P-71.
- <sup>5</sup> Ontario, Ministry of Children and Youth Services, "Federal, Provincial and Municipal Governments Working Together for Change," *Backgrounder*, 7 January 2004, last modified 1/11/2005. Internet site at <http://www.children.gov.on.ca/CS/en/newsRoom/backgrounders/040107.htm> accessed 16 October 2006.
- <sup>6</sup> Ontario, Ministry of Children and Youth Services, "Moving Forward: Governments of Canada and Ontario sign an agreement on Early Learning and Child Care," *News Releases*, 6 May 2005. Internet site at <http://www.children.gov.on.ca/CS/en/newsRoom/newsReleases/050506.htm> accessed 16 October 2006.
- <sup>7</sup> Canada, Dept. of Social Development, *Moving Forward on Early Learning and Child Care: Agreement-in-Principle Between the Government of Canada and the Government of Ontario* (Ottawa: The Dept., 6 May 2005), pp. 1 and 6. Internet site at [http://www.sdc.gc.ca/en/cs/comm/sd/news/agreements\\_principle/PCO\\_Ontario\\_e.pdf](http://www.sdc.gc.ca/en/cs/comm/sd/news/agreements_principle/PCO_Ontario_e.pdf) accessed 16 October 2006.
- <sup>8</sup> Keith Leslie, "Tories Cancel Child-Care Accord," *London Free Press*, 25 February 2006, p. A5; and Standing Committee on Public Accounts, *Official Report of Debates*, p. P-73.
- <sup>9</sup> New funding through Best Start is not allocated in the same way as other child care funding. See Standing Committee on Public Accounts, *Official Report of Debates*, p. P-71.
- <sup>10</sup> Standing Committee on Public Accounts, *Official Report of Debates*, pp. P-71 – P-72; and Office of the Auditor General, *2005 Annual Report*, p. 85.
- <sup>11</sup> Ontario, Ministry of Children and Youth Services, *Best Start: Ontario's Plan for Early Learning and Child Care* (Toronto: The Ministry, July 2005), p. 3. Internet site at <http://www.children.gov.on.ca/NR/CS/BestStart/ActionPlan.pdf> accessed 16 October 2006; and *idem*, "Best Start: Helping Young Children Get the Best Start in Life," last modified 20 July 2006. Internet site at <http://www.children.gov.on.ca/CS/en/programs/BestStart/default.htm> accessed 16 October 2006.
- <sup>12</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-77.
- <sup>13</sup> *Ibid.*, pp. P-71 – P-72.
- <sup>14</sup> *Ibid.*, p. P-73; and e-mail from staff, Strategic Issues and Media Analysis, Communications and Marketing Branch, Ontario Ministry of Children and Youth Services, Toronto to Researcher, Standing Committee on Public Accounts, 8 September 2006.
- <sup>15</sup> Standing Committee on Public Accounts, *Official Report of Debates*, pp. P-76, P-77, P-81, and P-84.
- <sup>16</sup> *Ibid.*, p. P-76.
- <sup>17</sup> *Ibid.*, pp. P-78 – P-79.
- <sup>18</sup> *Ibid.*, p. P-86.
- <sup>19</sup> Ontario, Ministry of Children and Youth Services, "Three Communities to Showcase McGuinty Government's Best Start Plan," *News Releases*, 11 March 2005. Internet site at <http://www.mcms.children.gov.on.ca/CS/en/newsRoom/newsReleases/050311.htm> accessed 16 October 2006.
- <sup>20</sup> Memorandum from Deputy Minister, Ontario Ministry of Children and Youth Services, Toronto to Clerk, Standing Committee on Public Accounts, 19 June 2006.
- <sup>21</sup> Office of the Auditor General, *2005 Annual Report*, p. 85.
- <sup>22</sup> *Ibid.*, pp. 85-86.
- <sup>23</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-72.
- <sup>24</sup> Memorandum from Deputy Minister to Clerk, 28 April 2006.
- <sup>25</sup> E-mail from staff, Strategic Issues and Media Analysis, Communications and Marketing Branch, Ontario Ministry of Children and Youth Services to Researcher, Standing Committee on Public Accounts, 2 October 2006.
- <sup>26</sup> Office of the Auditor General, *2005 Annual Report*, p. 87.
- <sup>27</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-72.
- <sup>28</sup> *Ibid.*, p. P-89.
- <sup>29</sup> Memorandum from Deputy Minister to Clerk, 28 April 2006.

- <sup>30</sup> E-mail from Strategic Issues and Media Analysis to Researcher, 2 October 2006.
- <sup>31</sup> Office of the Auditor General, *2005 Annual Report*, pp. 88-89.
- <sup>32</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-74.
- <sup>33</sup> *Ibid.*, pp. P-72 and P-74.
- <sup>34</sup> Memorandum to Clerk, Standing Committee on Public Accounts, from Deputy Minister, Ontario Ministry of Children and Youth Services, Toronto, 28 April 2006.
- <sup>35</sup> Office of the Auditor General, *2005 Annual Report*, pp. 89-90.
- <sup>36</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-72.
- <sup>37</sup> Office of the Auditor General, *2005 Annual Report*, pp. 90-91.
- <sup>38</sup> Standing Committee on Public Accounts, *Official Report of Debates*, pp. P-72 – P-73, P-78, and P-81.
- <sup>39</sup> *Ibid.*, p. P-82.
- <sup>40</sup> *Ibid.*, pp. P-77 – P-78.
- <sup>41</sup> Memorandum from Deputy Minister to Clerk, 28 April 2006.
- <sup>42</sup> Memorandum from Deputy Minister to Clerk, 19 June 2006.
- <sup>43</sup> Office of the Auditor General, *2005 Annual Report*, pp. 91-92.
- <sup>44</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-92.
- <sup>45</sup> *Ibid.*, p. P-73.
- <sup>46</sup> *Ibid.*, p. P-85.
- <sup>47</sup> *Ibid.*, p. P-81.
- <sup>48</sup> *Ibid.*, p. P-85.
- <sup>49</sup> Office of the Auditor General, *2005 Annual Report*, pp. 92-93.
- <sup>50</sup> *Ibid.*, p. 94.
- <sup>51</sup> *Ibid.*, p. 94.
- <sup>52</sup> *Ibid.*, p. 95.
- <sup>53</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-73.
- <sup>54</sup> *Ibid.*, p. P-76.
- <sup>55</sup> *Ibid.*, p. P-87.
- <sup>56</sup> *Ibid.*, p. P-89.
- <sup>57</sup> Memorandum from Deputy Minister to Clerk, 19 June 2006.
- <sup>58</sup> Office of the Auditor General, *2005 Annual Report*, pp. 95-96.
- <sup>59</sup> *Ibid.*, p. 96.
- <sup>60</sup> *Ibid.*, pp. 96-97.
- <sup>61</sup> *Ibid.*, pp. 97-98.
- <sup>62</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-73.
- <sup>63</sup> Office of the Auditor General, *2005 Annual Report*, p. 98.
- <sup>64</sup> Standing Committee on Public Accounts, *Official Report of Debates*, pp. P-73 and P-84.