

Children's Services Division – Opportunities to Achieve Greater Value for Child Care from Public Funds

Date: April 26, 2018
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

This report presents the results of the Auditor General's audit of the Children's Services Division. The objective of the audit was to assess the effectiveness, efficiency, and economy of child care services provided by the Division.

Our audit identified a number of opportunities to achieve greater value from the current level of government funding for child care services. These opportunities are:

1. Choosing a more economically viable service delivery model for the 52 City-run child care centres can stop the \$14.7 million annual operating shortfall and provide an additional \$13.5 million in savings. This will result in a total savings of \$28.2 million which can be reinvested to provide more subsidies and enhance wages across the child care sector.
2. Making better use of existing spaces in licensed child care centres will help to address the shortage of licensed spaces currently experienced by many families and contribute to more efficient operations for child care providers. The efficiency cost of vacant spaces in City-run centres was \$5.3 million in 2017.
3. Using more current income information for eligibility assessments will ensure the calculation of child care fee subsidies are accurate, fair, and consistent with other provincial income-based assistance programs. It is likely the savings from using more current income information will be in the millions.

Any savings achieved by the City can be reinvested to improve service levels, enhance wages of child care sector workers, and make child care more affordable for families in Toronto.

Our audit provides a total of 20 recommendations to improve effectiveness and efficiency while ensuring child care services in the City are economically viable.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the City Manager to examine alternate service delivery options for the City-run child care centres, including an analysis of financial and non-financial benefits, with a view to ensuring economic viability of child care services in the City and achieving optimal value from public funds. The review results are to be reported to City Council in early 2019.
2. City Council request the General Manager, Children's Services Division, to take steps to increase access to the existing licensed child care spaces in the City for the purchase of services for children with subsidies. Steps should be taken, but not be limited to:
 - a. Expanding the maximum number of spaces that can be purchased from contracted non-profit licensed child care centres
 - b. Minimizing the vacancy rate in the City-run child care centres
 - c. Exploring ways to access existing spaces in the non-profit licensed child care centres which do not currently have a service agreement with the Division.
3. City Council request the General Manager, Children's Services Division, to expedite the process of providing centralized and up-to-date vacancy information on licensed child care spaces in Toronto to help families look for licensed child care services.
4. City Council request the General Manager, Children's Services Division, in her reports of wait list numbers for child care subsidies, to provide a detailed breakdown of the numbers to delineate:
 - a. Children whose subsidy has already been allocated
 - b. Children with an immediate child care need
 - c. Children with a future child care need.
5. City Council request the General Manager, Children's Services Division, to take the necessary steps to ensure consistent application of the first-come, first-served policy in allocating the child care fee subsidy. Such steps should include, but not be limited to:
 - a. Developing a more efficient process to contact applicants and update the wait list
 - b. Improving supervisory review protocol
 - c. Developing automated system controls to prevent data entry errors as well as ensuring critical data fields are completed.

6. City Council request the General Manager, Children's Services Division, to improve the current measures to ensure sufficient and timely supervisory review of files that are approved for child care fee subsidies.

7. City Council request the General Manager, Children's Services Division, to review the current policy requirements regarding proof of attendance or completion of post-secondary school programs as an approved activity for child care fee subsidies.

8. City Council request the General Manager, Children's Services Division, to request the Ministry of Education to review and consider including current pay stubs as part of the requirements for assessing applicants' income and eligibility for child care fee subsidies.

9. City Council request the General Manager, Children's Services Division, to revise current policies pertaining to child care fee subsidy adjustments to ensure the following:

a. Requiring subsidy recipients to report increases in income of 20 per cent or more and to process the appropriate subsidy adjustment

b. Calculating overpayment and underpayment and any change to the subsidy amount based on the time when the income change occurs.

10. City Council request the General Manager, Children's Services Division, to improve controls for the "job search" policy for child care fee subsidy recipients. These should include:

a. Implementing monitoring and review processes to ensure the "job search" policy is appropriately used

b. Establishing specific criteria and procedures to verify recipients' job search activities

c. Ensuring adequate assessment of overpayment when subsidy recipients are found to be ineligible for the job search allowance.

11. City Council request the General Manager, Children's Services Division, to ensure cases of child care subsidy withdrawals are adequately assessed for potential improper payment and decisions are documented. Improper payments caused by administrative errors should be identified and tracked to ensure corrective actions are taken to prevent the recurrence of these errors.

12. City Council request the General Manager, Children's Services Division, to ensure adequate controls are in place to monitor and recover overpayments related to child care fee subsidies.

13. City Council request the General Manager, Children's Services Division, to develop formal policies and procedures to deter and detect potential fraud among recipients of child care fee subsidies and child care centre operators.

14. City Council request the General Manager, Children's Services Division, to collaborate with the General Manager, Toronto Employment and Social Services and the General Manager, Shelter, Support and Housing Administration to incorporate a centralized overpayment recovery and fraud investigation function within the Human Services Integration Unit.

15. City Council request the General Manager, Children's Services Division, to review the appropriateness of the legacy policy to provide child care fee subsidies to City employees who reside outside of the City, in the context of the current legislative requirements and the City's Human Resources policies. The review results are to be reported to City Council in early 2019.

16. City Council request the General Manager, Children's Services Division, to ensure applications for the child care fee subsidy by social assistance recipients and referrals from Toronto Employment and Social Services are consistently processed and given the same priority.

17. City Council request the General Manager, Children's Services Division, to collaborate with the General Manager of Employment and Social Services Division and the General Manager of Shelter Support and Housing Administration Division, to continue to identify and implement opportunities to further improve the coordination of services across the three income-based assistance programs, and to expedite the implementation of the Human Services Integration Strategy.

18. City Council request the General Manager, Children's Services Division, to report back on the need to continue the Assessment for Quality (AQI) program after working with the Province on this matter, and to commission an independent, anonymous survey of contracted child care centre operators in 2019 to seek feedback on customer service and satisfaction levels pertaining to the delivery of the AQI program.

19. City Council request the General Manager, Children's Services Division, to strengthen the internal controls to adequately monitor and ensure that all employees working in City-run child care centres meet the legislative requirements for employment.

20. City Council request the City Manager to review the Vulnerable Sector Check process for employees who work with children in City-run child care centres to ensure the process is independent and adequate to mitigate the City's risk exposure. This should include a review of the composition of the internal Vulnerable Sector Check Committee within the Children's Services Division.

FINANCIAL IMPACT

The implementation of recommendations in this report will likely result in cost savings and improved operating efficiency. The precise extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

DECISION HISTORY

The Auditor General included an audit of the Children's Services Division in her 2017 Audit Work Plan. The objective of the audit was to assess the effectiveness, efficiency, and economy of child care services provided by the Division.

COMMENTS

Some of the Children's Services Division's key functions include:

- conduct eligibility assessments of families applying for child care fee subsidies
- manage the wait list for fee subsidies
- administer service agreements with licensed child care operators
- administer base funding to licensed child care operators

The Division operates 52 licensed child care centres and one licensed home child care agency, and performs Assessment for Quality Improvement (AQI) inspections at City-run and contracted centres.

In 2017, Children's Services administered subsidies to approximately 28,000 children in need of child care services at a total of \$279 million. As of December 2017, there were approximately 5,000 children on the wait list with an immediate need for a subsidy, and another 4,800 with future subsidy needs.

Toronto is one of the most expensive cities in the country for licensed child care services. The average monthly licensed child care fee for an infant is about \$1,900, \$1,500 for a toddler, and \$1,150 for a preschooler. According to a 2016 study commissioned by Children's Services, *"...licensed child care is considered either unaffordable or completely unaffordable for 75 per cent of families in Toronto"*.

Child care is crucial for parents, but the current system is unaffordable for most. This audit identified several ways the City can significantly improve how it administers child care. It also identified options that would result in significant savings if the City chooses to embrace a different service delivery model that is, in our view, more economically viable and fair to all stakeholders. The savings can be reinvested to make child care more affordable, increase subsidies, and improve wages of child care workers in the sector.

As the Division continues to build new child care centres for capital expansion, it is equally important that it makes efforts to use the existing licensed spaces, which is a more economical solution.

By purchasing more subsidized spaces from existing child care centres, the Division will also help reduce vacancy in these centres. This will provide more revenue to centres to offset the need to pass on their increasing operating costs to parents through fees.

To ensure consistency and fairness for all children in need of subsidies, we believe there is a need for the Province to review its current income assessment requirements for the child care fee subsidy. Adding current pay stubs to the assessment requirements will ensure the system is consistent with other provincial income-based programs. This will likely allow the government funding to benefit more children in need of child care fee subsidies.

The implementation of some of our recommendations would require a change to the status quo, which could result in significant savings in the delivery of subsidized child care services in a City known for its high child care costs.

In addition, the audit report also includes recommendations for the Division to:

- provide a detailed breakdown of the wait list numbers by separating children with immediate needs from those with future needs for child care
- improve access to child care for social assistance recipients
- enhance the efficiency of the Division's Assessment Quality Improvement (AQI) program
- ensure compliance with health and safety requirements in City-run child care centres

Our audit provides a total of 20 recommendations to improve the effectiveness and efficiency while ensuring child care services in the City are economically viable.

We would like to express our appreciation for the co-operation and assistance that was extended to us by management and staff of the Children's Services Division.

We would also like to thank the child care centre operators who responded to our survey and shared with us their comments and insights.

The Auditor General has issued a separate letter to management detailing other issues that came to her attention during the audit.

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SIGNATURE

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ATTACHMENT

Attachment 1: Children's Services Division – Opportunities to Achieve Greater Value for Child Care from Public Funds