



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Department of Family Services and Labour

Manitoba Early Learning and Child Care Program

Web Version

Executive Management

Carol Bellringer
Sandra Cohen

Principal

Melissa Emslie

Audit Team

Tiffany Beyer
Maria Nyarku

Table of contents

Main points.....	119
Background.....	123
Audit approach	128
Audit findings and recommendations	129
1. Strategic planning and performance measurement.....	129
1.1 Strategic planning	129
1.1.1 5-year plan developed with 12 major commitments	129
1.1.2 Planning considered stakeholder input and barriers to achieving goals	129
1.1.3 Variety of information used, but more data would strengthen planning	130
1.2 Performance measurement	131
1.2.1 Progress on public commitments tracked and reported, with some gaps	131
1.2.2 Other public performance information needs some improvement	132
1.3 Coordinating areas of shared responsibility	134
1.3.1 Communication and accountability between divisions under review	134
1.3.2 Ongoing consultation with the Department of Education	134
1.3.3 Department working to clarify role in on-reserve First Nations child care	135
2. Ensuring compliance with child care standards.....	135
2.1 Setting child care standards.....	135
2.1.1 Standards regularly updated and cover areas similar to other provinces	135
2.2 Obtaining and maintaining child care facility information	136
2.2.1 Facility database adequate, but excludes inspection information	136
2.3 Issuing and renewing child care facility licences.....	137
2.3.1 All facilities inspected before initial licensing or annual re-licensing	137
2.3.2 Some files lacked evidence that all licensing requirements were met	137
2.3.3 Few processes to ensure licensing of home providers over 4-child limit	138
2.4 Conducting inspections and other facility visits.....	139
2.4.1 Facility visits mostly unannounced, except family home inspections	139
2.4.2 Frequency of regular monitoring visits not risk-based and not all required visits done	141
2.4.3 Inspection documentation not always clear or complete.....	142
2.4.4 Some complaints about unlicensed facilities not adequately resolved	142

2.5	Following up violations and escalating enforcement	143
2.5.1	Violations not always adequately followed up to ensure correction	143
2.5.2	Some gaps in escalating monitoring and enforcement	144
2.6	Staff training, independence, policies and supervision	146
2.6.1	Job-specific training in place, but delivered inconsistently	146
2.6.2	Provincial conflict-of-interest policy followed	147
2.6.3	Licensing and policy manuals require updating and enhancement	147
2.6.4	Supervisory review of inspection and licensing files needs strengthening	148
3.	Providing financial support	149
3.1	Managing operating grants	149
3.1.1	Grant levels reviewed annually	149
3.1.2	Funding decisions need to be more transparent and better documented	149
3.1.3	Problems in calculating complex grants	151
3.1.4	Some gaps in financial monitoring of funded facilities	152
3.2	Managing Inclusion Support Program (ISP) payments	154
3.2.1	Funding needs to be better linked to child needs and facility capability	154
3.2.2	Review process needed to prevent ISP grant overpayments	155
3.3	Managing subsidy payments.....	156
3.3.1	Processes to verify subsidy eligibility mostly adequate, with some gaps	156
3.3.2	Improvements needed to prevent subsidy payment errors.....	158
	Summary of recommendations.....	160
	Response of officials	164

Main points

What we examined

The Manitoba Early Learning and Child Care Program oversees child care (often called daycare) services provided by licensed child care centres and family home providers. It is administered by the Department of Family Services and Labour. We examined the Department's management of the Program, including its systems and practices for planning and performance measurement, ensuring compliance with child care standards, and providing financial support to eligible child care facilities and families.

Why it matters

Many parents depend on child care to help them work and support their families, and to help their children develop to their full potential. They require quality child care that is safe, affordable, and accessible. To help meet this need, Manitoba increased its investment in the Program by 38% between 2005/06 and 2010/11, from about \$88 million to \$122 million. It also made its child care agenda part of *ALL Aboard*, its strategy to reduce poverty.

What we found

The Department developed a 5-year (2008-2013) plan for child care and publicly reported annual progress on the plan's key commitments. Legislated child care standards were in place and the Department monitored compliance with them by inspecting all licensed child care facilities annually. Most facilities met the standards by the time their annual licences were renewed, but about 25% received provisional licences because they did not meet all legislated requirements. Licences were posted in facilities and on the Department's website, but standards violations listed on licences were not clearly identified and described. The Department did not publicly disclose the overall level of facility compliance with key standards.

The Department's preferred approach was to work with facilities to help them comply with standards, and to only consider issuing licensing orders or revoking licences when it deemed this necessary. But there were some gaps in its monitoring and enforcement activities. It did not always adequately follow up violations noted during inspections, perform the required number of monitoring visits, or ensure activities were sufficiently escalated for repeated or serious violations.

The Department did not have adequate processes to deter or detect family home providers operating over the allowed 4-child (at any given time) limit without required licences. Nor did it always adequately follow up the complaints it received about unlicensed providers, although it was taking steps to correct this.

Inconsistencies in the way staff conducted inspections, followed up violations, and issued licences need to be addressed. The Department also needs to improve its processes for determining facilities' inclusion support funding, and correct errors and inconsistencies in the way it calculates operating grants, inclusion support payments, and parent fee subsidies. The Department was beginning to address some of these issues by developing new staff orientation and training materials, improving supervisory reviews of licensing packages, and reviewing and revising its inclusion support funding procedures.

A complete listing of all significant findings follows:

Strategic planning and performance measurement

- After considering stakeholder input and barriers to achieving Program goals, the Department developed a 5-year (2008-2013) plan with 12 key commitments. Although the Department used a variety of information to support its strategic planning, this could be strengthened with additional data (such as wait times for child care and trends in the level of facility compliance with key standards).
- The Department publicly reported on its key commitments and several other performance indicators annually. This could be improved by more clearly stating the level of progress achieved for some commitments and disclosing the actual level of facility compliance with key standards. The Department posted facility licence information on its website, but standards violations listed on licences were not clearly identified or described.
- The Department generally coordinated its actions with other government departments and was working with First Nations and the federal government to clarify Manitoba's role in on-reserve First Nations child care. It was also working to improve communication and accountability reporting between the Program's service delivery and policy/administration arms.

Ensuring compliance with child care standards

- Legislated child care standards were regularly updated and generally covered areas similar to those in other provinces.
- The Department's child care facility database was fairly comprehensive. It included all licensing information, but did not include inspection information.
- All child care facilities were inspected before initial licensing and annual re-licensing. But some inspection files lacked evidence that all licensing requirements were met before the Department issued the licence and inspection documentation was not always clear and complete.
- The Department did not have adequate processes to deter or detect family home providers operating over the allowed 4-child (at any given time) limit without required licences.

- Inspection and monitoring visits were mostly unannounced, but the Department did not consider this practical for family home inspections. The Department needs to avoid overly preparing facilities for upcoming inspections, ensure children are present during family home inspections, and do some visits to facilities with extended hours during evenings and weekends.
- The frequency of regular inspections and monitoring visits to facilities were not based on each facility's past record in complying with standards, and not all required monitoring visits were being conducted.
- Complaints about licensed facilities were resolved promptly and thoroughly. Complaints about unlicensed facilities operating with more than the allowed number of children were not always investigated thoroughly. The Department was taking steps to correct this.
- While the majority of facilities met the standards by the time their annual licences were renewed, about 25% received provisional licences because they did not meet all legislated requirements. The Department's preferred approach was to work with facilities to help them comply with standards, and to only consider issuing licensing orders or revoking licences when it deemed this necessary. But violations noted during inspections were not always adequately followed up, and monitoring and enforcement activities were not always sufficiently escalated for repeated or serious violations.
- All the Department's child care coordinators were trained as early childhood educators. Job-specific training was provided to new coordinators and was also available to supervisors, but it was delivered inconsistently. The Department was working on developing new staff orientation and training materials. Processes were in place to ensure Department staff, including child care coordinators, complied with the Province's conflict-of-interest policy.
- Inconsistencies in the way staff conducted inspections, followed up violations, and issued licences reflected a need to enhance and clarify policy guidance, and a need to improve and increase supervisory reviews of inspection and licensing files. Licensing manuals, used by both Department staff and child care facilities, need to be more regularly updated to reflect current standards and practices.

Providing financial support

- The Department's allocation of new funding to previously unfunded child care spaces was not completely transparent or well documented.
- Inclusion support program (ISP) funding needs to be better linked to child needs and facility capability, with an adequately documented rationale for the nature and level of funding support provided. The Department was working to improve its ISP funding processes.

- The Department's financial monitoring of facilities would be stronger if financial reviews included documented variance analysis and better monitoring of facility compliance with parent fee maximums, pension plan financial requirements, and the Department's base minimum wage rates for early childhood educators and child care assistants training to be early childhood educators (for facilities receiving wage adjustment grants).
- Processes to verify applicants' eligibility for child care subsidies were mostly adequate, although methods of identifying any undeclared applicant income could be enhanced. And the provincial child care and income assistance programs need to more regularly share information when recipients' eligibility for child care subsidy depends on their eligibility for income assistance.
- There were some significant errors and inconsistencies in the calculation of complex operating grants, ISP payments, and subsidy payments, indicating a need for better quality assurance processes.

Background

Program goal and activities

The Department of Family Services and Labour (the Department) administers the Manitoba Early Learning and Child Care Program (the Program) to support licensed child care (often called daycare) services that are high quality, accessible, and affordable. The Department's activities include monitoring whether licensed child care facilities meet established standards; providing operating grants, as well as funding for children with special needs, to eligible facilities; and subsidizing parent fees for eligible families. The Department also classifies child care workers, oversees a centralized on-line registry that helps parents find suitable child care, and encourages facilities to adopt best practices in programming early learning activities.

Legislative authority

The Department oversees licensed child care under *The Community Child Care Standards Act* (the Act). The Act defines child care settings requiring a licence and authorizes the Department to conduct inspections and enforce child care standards. Some child care settings are exempt from the Act. This includes family home providers with no more than 4 children under the age of 12 (including their own) and school programs for four-year-olds, as well as before-and-after school programs, if operated by public or private schools.

The Child Care Regulation, a regulation under the Act, sets the requirements for licensing child care facilities. It also sets government standards for licensed facilities, covering matters such as staff-to-child ratios, staff training, equipment, space requirements, programming, health, and safety. The regulation also provides for financial assistance to facilities and parents through grants and subsidies, and caps the parent fees that facilities receiving operating grants may charge.

Section 20 of the Act outlines the right to appeal the Department's licensing and subsidy decisions. Appeals are heard by an independent Social Services Appeal Board and appeal procedures are outlined in *The Social Services Appeal Board Act*. In 2010/11, the Board received one licensing appeal and 40 subsidy appeals.

Child care facilities and spaces

At March 31, 2011, the Department reported that Manitoba had 1,083 licensed child care facilities with 29,811 licensed spaces. With some space-sharing, these spaces were serving about 35,000 children up to 12 years old. This provided a licensed space for about 16% of all Manitoba children up to 12 (24% of preschool children; 10% of school age children). Regional coverage varied from 10% in the Morden/Portage la Prairie area to 21% in Winnipeg.

Manitoba has 3 basic types of licensed child care facilities: centres, nursery schools (centres offering only part-time care for children ages 2 to 5), and homes. Centres and nursery schools operate on either a non-profit or commercial basis. Department operating grants are only available to homes and non-profit centres and nursery schools. **Figure 1** shows most licensed facilities are either operated by non-profit centres (43%) or individuals in their homes (41%), but most licensed spaces (73%) are in the non-profit centres. Child care legislation requires that at least 20% of the board members of these non-profit centres be parents or guardians of children attending the centres and full-time centres are also required to have parent advisory committees.

Figure 1: 73% of Manitoba's 29,811 licensed child care spaces are in non-profit centres

Facility type	March 31, 2011			
	Licensed facilities		Licensed spaces	
	#	%	#	%
Non-profit centres	461	43	21,830	73
Commercial centres	17	2	927	3
Non-profit nursery schools	146	13	3,645	12
Commercial nursery schools	14	1	293	1
Homes	445	41	3,116	11
Total	1,083	100	29,811	100

Source: Manitoba Family Services and Labour

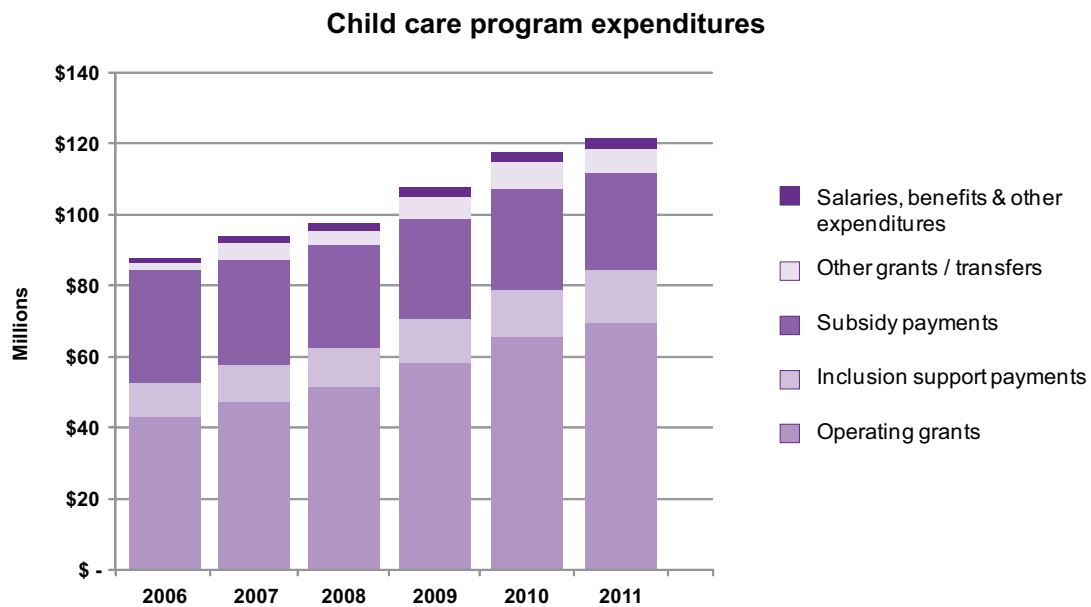
Department financial and staff resources

As reported in its annual report, the Department's Child Care Program expenses totaled about \$122 million for the year ending March 31, 2011. This included about \$70 million in facility operating grants to support 25,911 licensed spaces that were funded, \$27 million in parent fees subsidies for 9,710 families, and \$15 million in inclusion support funding for 1,484 children. It also included about \$7 million for various smaller dollar initiatives (child care worker pensions; capital expansion and renewal; recruiting, retaining and training child care staff; governance support for volunteer boards overseeing centres; and a wage adjustment fund to support base minimum wage rates for early childhood educators and child care assistants training to be early childhood educators in funded facilities). And it included about \$3 million in salaries, benefits and other expenses for 33 Program administrative staff (including policy and financial staff).

The Department also spent about \$2 million for 33 front-line child care coordinators in 2011. This was included in its Community Service Delivery Division costs, as opposed to its Child Care Program costs. Child care coordinators licence and monitor facilities, investigate complaints, allocate funds to include and support children with special needs, assess the quality of centre programming and activities, participate in planning meetings with centres, conduct workshops, and provide information to facilities and parents.

Figure 2 shows that Child Care Program expenses increased by 38% between March 31, 2006 and March 31, 2011, from about \$88 million to \$122 million. This primarily reflected a 62% increase in operating grants and about a 55% increase in inclusion support, partially offset by a 14% decrease in subsidy funding. Funding for operating grants increased because the Department funded 3,104 more licensed spaces and increased funding rates for different types of spaces over this period (for example, rates paid to non-profit centres increased 22% for preschool children and 35% for school age children). Inclusion support funding increased because the average annual funding for each child increased 45% (to \$10,128 in 2010/11) and the average number of children served increased 7%. Funding for subsidizing parent fees decreased because the Province had not substantively altered subsidy thresholds for several years, resulting in fewer parents qualifying for subsidies as the provincial minimum wage increased.

Figure 2: Child Care Program expenses increased 38% between 2006 and 2011



Source: Manitoba Family Services and Labour

Child care facility funding

Child care facilities receive most of their revenue from parent fees (capped by the Department for facilities receiving operating grants) and grant funding from the Department. For the year ending March 31, 2011, the Department's records showed that operating grants as a percentage of centre revenues for each space type were about 57% for infant spaces, 42% for preschool spaces, and 30% for school age spaces. Operating grants as a percentage of regular family home revenues were 24% for infant spaces, 20% for preschool spaces, and 19% for school age spaces. **Figure 3** shows the maximum daily parent fees and annual operating grants for the year ending March 31, 2011, by facility and space type.

Figure 3: Maximum daily parent fees and annual operating grant rates for funded facilities

March 31, 2011						
Facility type	Maximum daily parent fees (\$)			Annual operating grant, per space (\$)		
	Infant	Preschool	School age ¹	Infant	Preschool	School age ¹
Centres	28.00	18.80	8.00	9,620	3,562	1,340
Nursery schools ⁴	N/A	9.40 ²	N/A	N/A	225/450 ³	N/A
Homes ⁵	20.40	16.40	8.00	1,676	1,044	636

¹ Maximum shown is for before and after school care.

² Maximum shown is for attending 4 hours or less.

³ The grant depends on the number of weekly sessions; the higher amount is paid when more than 5 sessions/week are offered.

⁴ Fees and grants shown are for regular nursery schools. Depending on community need, those serving primarily low income families that agree to make quality enhancements to their program and to reduce parent fee maximums to \$5/day may be eligible for enhanced funding (\$3,562 per preschool space as at March 31, 2011).

⁵ Fees shown are for regular family home providers. Providers trained as early childhood educators may charge centre rates.

Source: Manitoba Family Services and Labour

The Department subsidizes parent fees for eligible families. The subsidies depend on annual family income and number of children. For example, in 2011, one parent with one preschool child could qualify for full subsidy with income below \$15,593 and partial subsidy with income up to \$27,796. Two parents with one infant and two preschool children could qualify for full subsidy with income below \$24,260 and partial subsidy with income up to \$66,279. No licensed facilities (whether funded or unfunded) can charge parent fees for subsidized children that are greater than the regulated parent fee maximums.

Operating grants are available only to homes and non-profit facilities, and the Department does not automatically fund all licensed spaces in the non-profit facilities. At March 31, 2011, 10% of non-profit nursery spaces and 7% of non-profit centre spaces were not funded. And, while the Department offers to fund all licensed home spaces, about 22% of licensed home providers forego operating grants to charge higher parent fees.

Child care workers

The Department's records showed 7,067 classified child care workers were employed in Manitoba at March 31, 2011. This included 1,610 Early Childhood Educator IIs (ECE IIs), 982 Early Childhood Educator IIIs (ECE IIIs), and 4,475 Child Care Assistants (CCAs). CCAs include ECEs-in-training and other non-ECEs working directly with children, but this category also includes cooks, custodians, and drivers.

ECE IIs have a 2-year diploma in early childhood education from an approved institution or have completed a competency assessment program offered by the Department. ECE IIIs are similar, but have another year of education in an approved area of specialization in child care, or a degree in developmental studies. CCAs providing direct care to children must complete a minimum 40-hour course in child development in their first year of employment. Child care legislation requires two thirds of the staff in full-time child care centres, and half the staff in nursery schools or school age centres, to be trained ECE IIs or IIIs.

Some family home providers may be classified as CCAs or ECEs, but this is not required. All family providers must show during their first year of being licensed that they have completed a minimum 40-hour course in child development within the past 8 years.

The Department financially supports base minimum wage rates for ECEs, as well as CCAs training to be ECEs, in licensed non-profit facilities receiving operating grants. At March 31, 2011, these rates were \$15.50/hour for ECE IIs and \$12.25 for CCAs training to be ECE IIs.

Required staff-to-child ratios are set out in the *Child Care Regulation*. Mixed age group centres require ratios of 1:4 for infants, 1:8 for preschool children, and 1:15 for school age children. Nursery schools providing 4 or less hours of care a day require ratios of 1:4 for infants and 1:10 for preschool children. Family home providers are allowed to care for up to 8 children under 12 years of age, but not more than 5 children not yet enrolled in grade one, with no more than 3 of these 5 under 2 years of age.

Audit approach

We examined the Department's systems and practices for:

- planning for child care and measuring performance.
- ensuring compliance with child care standards, including processes for setting standards, licensing, conducting inspections, and escalating enforcement.
- providing financial support to eligible facilities and families.

We conducted most of the audit between June 2011 and February 2012. It primarily examined child care processes in place between September 1, 2010 and August 31, 2011. Our audit was performed in accordance with the value-for-money auditing standards recommended by the Canadian Institute of Chartered Accountants and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The audit included review and analysis of legislation, policies and practices, files, records, reports, correspondence, and other program documentation. We also interviewed people from the Department and various stakeholders and subject matter experts. And we accompanied Department staff on licensing inspections of child care facilities.

Audit findings and recommendations

1. Strategic planning and performance measurement

1.1 Strategic planning

1.1.1 5-year plan developed with 12 major commitments

The Department developed a 5-year (2008-2013) plan called *Family Choices* to achieve high quality, accessible, affordable child care in Manitoba. The plan had 12 major commitments to be fulfilled by the end of 2013:

1. provide funding for 6,500 more licensed child care spaces (including a mix of new spaces and existing unfunded spaces).
2. provide enhanced funding to an additional 1,000 nursery school spaces.
3. provide \$37 million in capital funding (\$22.5 million for school sites; \$14.5 million for other community facilities).
4. develop a legislated child care safety charter.
5. develop age-appropriate curricula and enhance child care programming quality.
6. develop a centralized on-line waitlist for child care.
7. maintain the second lowest parent fees in Canada.
8. provide greater inclusion support.
9. support more child care with flexible hours and seasonal programming.
10. support recruitment and retention of more early childhood education professionals with a 20% overall funding increase for various staffing initiatives.
11. strategically expand licensed child care spaces for under-serviced areas.
12. support volunteer boards of child care centres.

The Department's progress reporting on plan commitments is discussed in section 1.2.1. *Family Choices* was built on a prior 5-year plan in place from 2002-2007. At the time of our audit, the Department had not announced a post-2013 plan.

1.1.2 Planning considered stakeholder input and barriers to achieving goals

The Department consulted extensively with stakeholders when it developed its 2002-2007 strategic plan. The Child Care Regulatory Review Committee, first established in 1996/97, was tasked with creating a vision for child care in Manitoba. The 25 members of this Committee had broad representation from various stakeholders, including parents, child care facilities, and the Manitoba Child Care Association (a non-profit organization that advocates for quality child care and promotes early childhood education as a profession). The proposed

vision was then released to the public for responses. Over 24,000 responses came from parents, child care providers, community groups, child care advocates, labour groups and school divisions. The Department used this input to develop the first 5-year plan around a vision of high quality, accessible, affordable child care. While the consultation for the 2008–2013 plan was less extensive, the Department continued to consult with the Committee, as well as directly with child care coordinators, facilities, the Manitoba Child Care Association, and other stakeholders on specific proposed initiatives.

The Department centred its 2008–13 plan on reducing identified risks to achieving its vision. Identified barriers to success included:

- too few licensed spaces to meet parent demand, including spaces with flexible hours, spaces for children with special needs, and nursery spaces.
- the difficulties caused by requiring parents to be listed on multiple facility wait-lists.
- too few early childhood education professionals to allow all centres to meet staffing standards.
- a lack of capital funding for expanding the number of spaces.
- a need to better support parent volunteers serving on child care centre boards.

1.1.3 Variety of information used, but more data would strengthen planning

The Department used data and analysis to support its strategic planning, but some information that would help planning was still under development, not regularly compiled or analyzed, or unavailable.

The Department used a variety of information for planning to improve child care accessibility. This included information on the population of children under 12 and the number of licensed spaces available to them (by region and by community area within the Winnipeg region), as well as information on birth rates and the percentage of mothers with children under 12 participating in the workforce. The Department also had anecdotal accounts of long wait lists and wait times for child care. But until recently it was unable to compile information on actual levels of demand for different types of licensed child care spaces (including spaces for different age groups and spaces with extended hours of care) or actual wait times. It also lacked sufficient information to analyze the likely causes of trends in different types of licensed spaces (such as the 20% decrease in spaces in licensed homes between 2007 and 2011 or the 39% decrease in spaces with extended hours of care during the same time period). During our audit, the Department started mining the data in its Online Child Care Registry, established province-wide in June 2011 to help families more easily place their children on various wait-lists for licensed child care. This should provide valuable information on wait times and the levels of demand for different types of child care spaces. The Department also began collecting additional information on licensed family home providers.

For planning to improve the quality of child care, the Department generated reports on the number of facilities with safety charters and age-appropriate curriculums, as well as the number meeting certain standards related to trained staff. But it didn't typically generate reports on the level of compliance with other key standards. Nor did it generate reports summarizing the results of its quality assessments of centre learning and development activities.

In April 2012, the Department estimated that another 160 ECE IIs would be required for all centres to meet staffing standards and a further 122 would be needed for the 1,100 new spaces it planned to licence in 2011/12. Estimating ECE requirements was challenging because the Department lacked the capacity to measure turnover of ECEs in the child care system.

For affordability planning, the Department gathered information on parent fees in other provinces for comparison to its regulated parent fees and monitored the number of families qualifying annually for parent fee subsidies. It also monitored the general impact of provincial minimum wage increases on the affordability of regulated parent fees and subsidy thresholds.

Recommendation 1: We recommend that the Department regularly include the following in its internal child care strategic planning:

- a. information compiled from its Online Child Care Registry on wait times and the levels of demand for different types of child care spaces.
- b. trends in facility compliance with all key standards.
- c. summary results from quality assessments of centres' learning and development activities.

1.2 Performance measurement

1.2.1 Progress on public commitments tracked and reported, with some gaps

The Department tracked and publicly communicated progress on its 12 major commitments for 2008/09-2012/13. At the end of March 2012, the Department reported in its annual report that it had:

1. committed funding to date for 5,600 (of 6,500 promised) licensed spaces.
2. allocated an enhanced level of funding to 988 (of 1,000 promised) nursery school spaces.
3. approved funding for 115 capital projects.
4. developed a legislated Child Care Safety Charter.
5. developed curricula materials and begun using infant and preschool rating scales to assess program quality.
6. launched its centralized Online Child Care Registry.
7. maintained the second lowest regulated parent fees in Canada.

8. established regulations to support inclusive programming for children.
9. continued to identify needs and explore options for off-hours and seasonal programming.
10. provided two 3% increases to operating grants, as well as a variety of funding to support a base minimum wage for ECEs and child care assistants training to be ECEs, pensions and retirement supports, and training and recruitment.
11. conducted ongoing research to strategically expand child care spaces in under-served areas.
12. provided funding for board governance initiatives, as well as board orientation and training sessions.

But the Department did not publicly report the percentage of its promised \$37 million for capital projects (noted in section 1.1.1) provided to facilities. And progress towards its promised overall funding increase of 20% to support a stronger workforce (also noted in section 1.1.1) was not clearly stated. Department officials told us that, as of March 31, 2012, all \$37 million of capital funding had been allocated to specific facilities, although it would not be fully disbursed by the end of 2013.

Recommendation 2: We recommend that the Department clearly state progress towards its \$37 million capital commitment and its commitment to an overall funding increase of 20% to support a stronger workforce when publicly reporting on its 5-year child care agenda.

1.2.2 Other public performance information needs some improvement

The Department provided more performance information in its annual report than just the progress on prior commitments outlined in section 1.2.1. It also provided a number of other performance indicators centred on its accessibility, affordability, and quality goals.

Accessibility indicators focused on the number of facilities and spaces, changes in the number of spaces, and the percentage of children under 12 for whom there was a licensed space. The Department also recently started reporting quarterly waitlist information in the Online Child Care Registry section of its website, by region and in total. As at June 29, 2012, the Department reported there were 9,714 active registrants, excluding those who had registered children not yet born. Of these, 7,215 (74%) had self-reported that they required care in 3 months. The Department did not track or report child care wait times.

Affordability indicators focused on regulated parent fees, subsidy thresholds, and the government funding provided. Annual changes in the provincial minimum wage were not reported to provide context. For example, between 1991 and 2011, parent fees increased 2%, while the provincial minimum wage increased 100%.

Quality indicators focused on the number of trained staff and the number of facilities and children receiving inclusion support funding. Indicators also included a number of legislated

standards: the staff-to-child ratios to be maintained, the proportion of ECEs required in different facilities, and minimum training requirements for CCAs and home providers. But the number of facilities actually complying with these standards was not disclosed. For example, the Department did not publicly report that 19% of centres and nursery schools were not complying with the disclosed trained staff standards and that the Department had exempted another 11% of the facilities from the requirement to meet these standards because they had staffing plans in place to help them work towards meeting them. Exemptions of this nature were provided for in the *Child Care Regulation*.

The Department noted that some standards were more significant than others. It had not formally identified a list of key standards for the purpose of reporting on compliance; however, a licensing poster it had developed for centres focused on trained staff standards, required staff-to-child ratios, space requirements, and requirements related to safety plans, codes of conduct, parents' rights, and appropriate activities.

Summary results of annual licence inspections were not disclosed in the Department's annual report; however, individual facility licences could be viewed on its website. These listed any standards not met by facilities at the time the licence was issued. But this was not the same as listing standards not met at the time of the most recent inspection — facilities typically had 1-2 months to take corrective action before annual licences were issued.

Standards violations were listed on licences in an abbreviated form under a heading labeled “terms and conditions”, which did not clearly communicate that standards were not being met. For example, parents might interpret “proportion of trained staff” on a licence to mean that the facility must maintain a certain proportion of trained staff. But it actually means that the facility is operating without the required proportion of trained ECEs. To further confuse matters, some licences listed terms and conditions that were additional to the legislated standards, rather than standards violations. For example, the Department might require a home provider not to use a hot tub during daycare hours under the same “terms and conditions” heading.

Five other provinces posted inspection results for individual facilities online. Some also gave a history of each facility's inspection results, including dates when standards violations were corrected.

Recommendation 3: We recommend that the Department improve publicly reported child care information by:

- a. measuring and reporting wait times for child care.
- b. determining the most significant child care standards and then reporting the province-wide level of facility compliance with these key standards.
- c. ensuring facility licenses clearly communicate all legislated standards not being met.

1.3 Coordinating areas of shared responsibility

1.3.1 Communication and accountability between divisions under review

Two different divisions in the Department shared responsibility for the child care program. One looked after policy, legislation, financing, certifying ECEs, the child care registry, and development of curriculum and assessment tools. The other housed the child care coordinators and their supervisors, as part of the Department's integrated community service delivery model. The former was accountable for facility licensing, but delegated day-to-day responsibility for licensing, inspecting, and monitoring facilities to the latter.

Although the 2 divisions' roles and responsibilities were formally set out in a departmental document, the organizational structure created some management and accountability challenges. Staff in both divisions were concerned about information flow. Policy and administration staff were concerned about receiving timely information from the field. Service delivery staff felt they did not always get clear or timely answers to policy questions, and that new initiatives and changes were not always properly communicated to them before they were communicated to the child care facilities. The division accountable for facility licensing had access to a variety of electronic information for each facility. But it did not receive regular written reports that summarized and explained the results achieved by the other division in performing delegated activities.

During our audit, the Department was engaged in an organizational review to assess the current sharing of responsibilities and improve financial controls, accountability for licensing and monitoring, and the accuracy and timeliness of communication between the two divisions. It also began issuing circulars to supervisors to help them update service delivery staff on new initiatives and policies.

Recommendation 4: We recommend that the Department develop processes to improve communication and accountability reporting between the service delivery and policy/administration arms of the Early Learning and Child Care Program.

1.3.2 Ongoing consultation with the Department of Education

The Department consulted with the Department of Education when establishing its child care curriculum framework. There was also consultation with Education through the Provincial Healthy Child Advisory Committee and with the Early Childhood Education Unit (established in April 2011 to increase the connection between early childhood education and the formal kindergarten to grade 12 education system).

The Department worked with schools when implementing its safety charter, as several child care centres are located in schools. But the Department's consultations about the locked door

policy associated with the charter could have occurred sooner as school stakeholders were not initially consulted. The Department provided more funding than originally planned to help facilities implement the locked door policy.

The Department's capital funding to child care facilities in schools and on school property was administered by the Department of Education, through the Public Schools Finance Board. Related responsibilities and procedures were clearly documented and activities were coordinated through an interdepartmental Early Learning and Child Care Capital Fund Management Committee.

Despite the consultation described above, some stakeholders believed greater coordination between schools and child care facilities would be beneficial.

1.3.3 Department working to clarify role in on-reserve First Nations child care

The Department viewed the delivery of early learning and child care programs in First Nations communities as the responsibility of the federal government, together with First Nations. Its 5-year strategic plan stated, "Manitoba recognizes the importance of these programs in supporting First Nation children and their families. Through *Family Choices*, Manitoba proposes to discuss with First Nations and the federal government how best to work together towards improving standards".

The Department did not typically fund or license on-reserve child care facilities. Department officials advised that most on-reserve First Nation child care programs were funded through the federal Aboriginal Skills and Employment Training Strategy and the Aboriginal Head Start on-reserve programs. They further advised that the federal government was strongly encouraging federally-funded facilities to become licensed, either directly by provincial governments, or by licensing authorities that would assume licensing and monitoring activities comparable to provinces.

At the time of our audit, there were ongoing discussions between the Department, the Government of Canada and Manitoba First Nations concerning the provision of child care services on reserves.

2. Ensuring compliance with child care standards

2.1 Setting child care standards

2.1.1 Standards regularly updated and cover areas similar to other provinces

The Department regularly updated Manitoba's legislated child care standards. It also regularly compared Manitoba's standards to those in other provinces.

We compared Manitoba's legislated child care standards to those in other provinces. Manitoba's standards generally covered areas similar to others. Some unique Manitoba standards included:

- a legislated safety charter.
- a requirement that criminal record checks of child care providers include pardon information.
- a requirement that directors of full-time child care centres be ECE IIIs.

Notable standards in other provinces that were not in place in Manitoba included:

- results of inspections and monitoring visits had to be posted in facilities (2 provinces).
- criminal record checks had to be renewed every 3 or 5 years (3 provinces).
- criminal record checks were required for volunteers (4 provinces).
- child care workers or home providers or both had to meet professional development requirements (6 provinces).
- staff-to-child ratios for children 12 to 24 months were 1:3, versus 1:4 in Manitoba (3 provinces).

The Department's licensing manual recommended (as a best practice) that facilities post inspection results for parent information, but this was not a requirement. And Manitoba standards required child care worker criminal record checks to be renewed whenever a worker moved to a new facility, but there was no renewal requirement for workers staying several years at the same facility. We encourage the Department to continue to monitor and assess whether Manitoba should adopt standards being adopted by other provinces, particularly those adopted by the majority of provinces.

2.2 Obtaining and maintaining child care facility information

2.2.1 Facility database adequate, but excludes inspection information

The Department used an electronic database called Child Care Online (CCO) to maintain information about child care facilities. All child care coordinators used this database regularly. Facilities could also access parts of CCO and were responsible for entering staffing and other information.

CCO included information about currently licensed facilities, facilities previously licensed, and any unlicensed facilities brought to the Department's attention. It had current and historical information on all licences issued (including information on the standards not met when licences were issued), all complaints received, and all operating grants and subsidies paid. But it lacked information on the standards that facilities failed to meet at the time of annual inspections, but corrected before their licences were issued. This information was tracked only in paper form, making it harder to identify all trends in non-compliance with standards.

Most CCO information was up-to-date and accurate, with minor exceptions. There were duplicate staff records for some centres, as well as some incomplete resident information and out-of-date training information for some family home providers. Any missing or inaccurate data should be identified and corrected by child care coordinators during facility inspections.

Recommendation 5: We recommend that the Department enhance its facility database by:

- a. expanding it to include facility inspection results.
- b. verifying the accuracy and completeness of database information during annual facility inspections.

2.3 Issuing and renewing child care facility licences

Child care facility licences were either regular or provisional. The Department issued regular licences when facilities met all requirements and standards. It issued provisional licences to all new facilities and to facilities that failed to meet all requirements and standards. Occasionally, it granted exemptions for certain standards not met (for example, when a facility not meeting staffing standards had a valid staffing plan in place). In these cases, the Department issued a regular licence. Regular licences expired annually, with different expiry dates set for the different types of facilities. Provisional licences could not be issued for more than 90 days, but there was no limit to the number of consecutive provisional licences that could be issued. Licences were not transferable.

2.3.1 All facilities inspected before initial licensing or annual re-licensing

The Department's policies required facilities to be inspected before new licences were issued and annually thereafter. There was no requirement to inspect a facility prior to renewing a provisional licence, unless it was the facility's annual re-licensing anniversary date. In a sample of 12 new licence files, child care coordinators had inspected all new facilities before the Department issued their initial licences. In a sample of 50 re-licensing files, coordinators had inspected all re-licensed facilities annually in each of the last 3 years.

2.3.2 Some files lacked evidence that all licensing requirements were met

The Child Care Regulation listed the information that different types of facilities were required to submit with their applications before initial licences were issued. In addition, the Department's internal policies prohibited child care coordinators from issuing new or renewed licences, even provisional licences, without first verifying certain matters and receiving certain information.

In a sample of 12 new licence files (5 centre files and 7 family home provider files), all 5 centre files had required reports from fire and health authorities, but 3 had no written

confirmation that noted problems were corrected before licensing. All 5 files also lacked evidence of at least one required piece of information (such as an occupancy permit, an emergency evacuation plan, articles of incorporation, bylaws, or liability insurance). All 7 family home files had safety inspection reports, as well as required criminal record, child abuse registry, pardon, and family resident checks on file. But 5 of the 7 files lacked evidence of at least one required piece of evidence (such as confirmation of first-aid/CPR training, liability insurance, furnace servicing, fire extinguishers, or that child care coordinators had observed providers caring for children other than their own). The missing documentation may have been reviewed and the required procedures performed, but the files lacked evidence of this.

In a sample of 50 re-licensing files, 14 (28%) similarly lacked evidence of at least one item that had to be in place before the licence could be re-issued. In some cases, files were missing evidence of a recent annual fire or public health inspection or current records of first-aid/CPR certificates, although older reports and records were on file. Outstanding fire and public health inspection reports were outside the Department's control because other agencies did fire and health inspections, and late reports were a common problem. As of April 2, 2012, 109 fire inspection reports and 57 public health inspection checklists were outstanding for all the Department's re-licensing files. The Department always issued provisional licences until it received these outstanding reports and may want to amend the policy prohibiting this to reflect its actual practice when renewing licences. However, licences should not be renewed in any other circumstances prohibited by policy.

The Department had a checklist that coordinators used to track the items that had to be submitted with new licence applications. But it did not have checklists to ensure initial and renewed licences were not issued in circumstances prohibited by its internal policies. More comprehensive checklists, as well as increased training and supervision, may be needed. These topics are discussed more fully in section 2.6.

Recommendation 6: We recommend that the Department develop processes to ensure that it does not issue initial or renewed licences when departmental policy prohibits it, or issue initial licences before it has received all the information the *Child Care Regulation* requires.

2.3.3 Few processes to ensure licensing of home providers over 4-child limit

The Department did not have adequate processes to deter or detect family home providers operating over the allowed 4-child (at any given time) limit without a licence. It noted family home provider licensing requirements on its Online Child Care Registry and in its *Parent Guide to Quality Child Care*. But providing additional education to both parents and family home providers would help to further increase awareness.

The Department did not proactively search for family home providers that should have been licensed, although it did respond to formal complaints about unlicensed facilities. We investigated 10 randomly selected child care ads on a Winnipeg web-site and found 2 family providers operating illegally without a licence (over the limit of 4 children for unlicensed providers). There is increased risk that facilities operating with more than the allowable number of children are unaware of or not following all child care standards if they are not properly licensed and inspected.

The Department needs to increase its efforts to detect unlicensed family home providers operating over the 4-child limit. This should include periodically reviewing a sample of unlicensed provider advertisements to identify situations where it appears the provider might require licensing, and then calling or sending letters to explain licensing requirements and ask if more than 4 children are being cared for. It should also include adequately following up complaints about unlicensed providers (see also section 2.4.4).

Recommendation 7: We recommend that the Department improve its processes for ensuring that family home providers operating over the 4-child (at any given time) limit are properly licensed by:

- a. further educating stakeholders about family home provider licensing requirements.
- b. periodically searching for unlicensed facilities that should be licensed.

2.4 Conducting inspections and other facility visits

Child care coordinators conducted both inspections and monitoring visits in licensed facilities. Inspections assessed facility compliance with standards and were directly linked to the annual re-licensing process. Monitoring visits were used to offer resources, program updates, and general guidance to facilities, as well as to help ensure standards were being met.

Together with child care quality enhancement specialists, child care coordinators also conducted bi-annual quality assessments of the programming and activities in centres and enhanced nursery schools. They used rating scales generally accepted by the child care industry: the Early Childhood Environment Rating Scale (ECERS) for preschool environments and the Infant and Toddler Environment Rating Scale (ITERS) for infant environments.

2.4.1 Facility visits mostly unannounced, except family home inspections

We expected inspections and monitoring visits to be unannounced. Otherwise, coordinators may not get an accurate sense of the way a facility typically operates. We also expected at least some visits to facilities to take place during times when non-compliance with standards was most likely to occur.

The Department's practice was to inspect centres and nursery schools on an unannounced basis, although inspections were somewhat predictable because they were typically done sometime in the 3 months before the annual licence expiry date. Some coordinators sent letters to facilities reminding them of upcoming inspections, sometimes even pointing out things they would be checking or asking. Family home inspections were scheduled with providers. The Department did not view unannounced family home inspections as practical since it felt that providers might not be at home (might be out on a walk or a field trip) and that time spent on the inspections might leave children at risk. There was no guidance for the time of day that inspections should occur.

The Department expected all monitoring visits, including those to family providers, to be unannounced. The Department's policy was to conduct some of these visits during evenings and weekends if facilities operated during these hours.

In a sample of 50 inspection files, 14 had insufficient documentation for us to tell if the inspection was unannounced or scheduled. In files with sufficient documentation, all family home inspections were scheduled; all nursery school inspections were unannounced; and, with one exception, all centre inspections were unannounced. This was consistent with the Department's stated practice and expectations. But 4 of the 21 family home provider inspections (19%) had no children present during the inspections, so coordinators were unable to view typical operations. About 30% of the inspections began in the early afternoon, which would generally be naptime and therefore quieter; about 10% began before 9 a.m. or after 4 p.m., which would generally be when most children were arriving or leaving, and therefore busier.

In a sample of 32 files, all monitoring visits but one were unannounced. But in a sample of 5 files for facilities operating evenings and weekends, all monitoring visits were during regular business hours. This was inconsistent with the Department's policy of conducting some of these visits during the facility's extended hours.

Recommendation 8: We recommend that the Department direct coordinators to:

- a. refrain from overly preparing facilities for inspections.
- b. schedule family home inspections when children will be present.
- c. comply with its policy requiring some monitoring visits to be during evenings and weekends for facilities with extended hours.
- d. document whether inspections and other visits were unannounced or scheduled.

Recommendation 9: We recommend that the Department pilot-test doing some family home inspections on an unannounced basis, and then reconsider the need to schedule all family home inspections with providers.

2.4.2 Frequency of regular monitoring visits not risk-based and not all required visits done

While the Department required all licensed facilities to be inspected annually, it had differing regular monitoring requirements for the different types of facilities. Full-time centres and homes required 2 monitoring visits a year, although coordinators could waive centre monitoring visits to conduct ECERS and ITERS assessments. In some cases, this resulted in centres having no monitoring visits because either an ECERS or an ITERS assessment was performed every year. Nursery schools didn't require any monitoring visits because many were only open part-days and only some days of the week. Although child care coordinators had the discretion to increase the number of monitoring visits to facilities to follow-up complaints or significant issues noted during inspections, we had concerns about waiving regular monitoring requirements and the lack of regular monitoring visits to nursery schools.

The Department didn't consider each facility's past record in complying with standards when determining the frequency of regular monitoring visits, although it monitored individual facilities more frequently when a serious complaint was under investigation or an outstanding licensing order existed. In a sample of 50 facility re-licensing files, the average number of standards violations was 2.7 for homes, 5.6 for centres, and 6.9 for nursery schools. This may indicate a need to monitor some nursery schools and reconsider waiving monitoring requirements for some centres. As some standards are more significant than others, the Department needs to identify key standards and then track violations of these to better assess each facility's risk level.

In 32 facilities where monitoring visits were required by departmental policy, 13 (41%) didn't have the required number of visits in the most recent year. A more risk-based approach would allow coordinators to better use their time by spending less time with facilities consistently meeting standards and more time with those where standards are most frequently not being met.

Recommendation 10: We recommend that the Department link the frequency of regular facility inspections and monitoring visits to underlying risk factors, such as facility inspection history and licence type, and then ensure that all required visits are conducted.

2.4.3 Inspection documentation not always clear or complete

Child care coordinators used 3 different types of standard checklists to complete inspections, depending on the facility type. All checklists were generally consistent with the standards in the *Child Care Regulation*. Child care coordinators were expected to provide clear descriptions of any violations and required corrective actions, record expected completion dates for corrective actions, and explain checklists and accompanying comment sheets to facility representatives. Checklists were then to be signed by both the coordinator and the facility director or home provider, and a copy of both the checklist and comment sheet left with the facility.

In a sample of 50 re-licensing checklists and accompanying comment sheets:

- 12 (24%) had unanswered questions; on average, this represented 3% of the questions.
- 9 (18%) had at least one comment inconsistent with the yes-or-no response to the question.
- 47 (94%) were signed by a facility representative.
- 97% of violations and 96% of corrective actions listed were clearly described, but 11 of the files (22%) had violations with no accompanying expected correction dates.

Recommendation 11: We recommend that the Department improve inspection documentation so that:

- a. all checklist questions are answered and answers are consistent with accompanying comments.
- b. expected completion dates are provided for all corrective actions required.

2.4.4 Some complaints about unlicensed facilities not adequately resolved

The number of complaints received about child care facilities varied from year to year. Between 2006/07 and 2010/11, there was an average of 151 annual complaints about licensed facilities and an average of 45 annual complaints about unlicensed facilities.

Policies for investigating and documenting complaints about licensed facilities left room for discretion. Child care coordinators used professional judgement to decide what was serious and when a complaint warranted investigation in person, not over the phone. In a sample of 10 complaint files for licensed facilities, coordinator follow-up actions were prompt and thorough for all but one complaint.

Complaints about unlicensed facilities generally involved allegations that home providers were providing care to more than the 4 children allowed (at any given time) without a licence. In these cases, at the time of our audit, staff were expected to take the following escalating actions:

- after the first complaint, send a letter to the provider asking if more than 4 children are being cared for and explaining the licensing rules, and follow up with a phone call if no reply is received.
- after the second complaint, make an unannounced visit to the home to see how many children are in care and again explain the licensing rules.
- after the third complaint, arrange surveillance of the home to gather evidence to lay charges.

The Department's policy did not require any follow-up after warning providers caring for more than the maximum number of children that they needed to reduce the number of children being cared for or become licensed. If a provider exceeding the 4-child (at any given time) limit agreed to become licensed during investigation of the complaint, the Department would expedite licensing to avoid closing spaces that families depended on. But if a provider agreed to reduce the number of children they were caring for, the Department did not follow up to ensure this result.

We reviewed complaint files for 5 unlicensed facilities. Although the Department had received multiple complaints for 3 of the 5, the escalating actions that its policy required were not taken. In addition, the investigations were both prompt and clearly resolved for only 1 of the 5 complaints.

Subsequent to the completion of our audit work in this area, the Department began implementing a revised policy for complaints about unlicensed providers. It required surveillance after second complaints and visits to homes to verify the number of children being cared for after providers agreed to reductions. The Department also filled a previously vacant compliance position in this area.

Recommendation 12: We recommend that the Department investigate all complaints that a family home provider is caring for more than 4 children (at any given time) without a licence promptly, thoroughly, and in accordance with its recently revised policy for handling complaints about unlicensed facilities.

2.5 Following up violations and escalating enforcement

2.5.1 Violations not always adequately followed up to ensure correction

The Department required facility directors and home providers to submit signed and dated forms (*Agreement with Inspection Requirements* forms, or AI forms) explaining how they had corrected standards violations. Centres and nursery schools also had to have a board member sign these forms. The Department then expected child care coordinators to match items on the AI forms to their inspection checklists to ensure all unmet standards were addressed. Coordinators were also supposed to obtain documents to support the facilities' reports.

In our sample of 50 re-licensing files, 212 violations (other than health or fire safety violations noted by health and fire inspectors) required follow up by child care coordinators. An AI form was submitted for 157 of the violations (74%) and 113 of these (72%) had the required facility signatures. But coordinators verified corrective actions reported by facilities for only about 33% of the 212 violations.

Without verification, violations may persist. Coordinators need to either request supporting documentation (such as paid invoices for goods or services received to correct violations) or re-visit facilities to verify the reported corrective actions (which could be done during routine monitoring visits). This is particularly critical for all violations of key standards and for any facilities considered to be higher-risk. Correction of less significant violations might be less frequently verified.

Our sample of re-licensing files had another 53 violations that health and fire inspectors found. For 11 of these (21%), there was no evidence of follow up by either health or fire inspectors or the child care coordinators to ensure they were corrected.

Of the 26 facilities in our sample of 50 re-licensing files issued a provisional licence after inspection, 9 (35%) were issued their next licence without child care coordinators either receiving AI forms or following-up noted standards violations some other way.

Recommendation 13: We recommend that the Department follow up all standards violations promptly and verify the corrective actions facilities report by obtaining supporting documentation or re-visiting the facilities.

2.5.2 Some gaps in escalating monitoring and enforcement

While the majority of facilities met standards, as of October 2011 about 25% (about 35% of centres, 19% of nursery schools, and 17% of homes) had provisional licences because they did not meet all legislated requirements. The Department had the following discretionary enforcement options available (in order of increasing severity) to respond to child care standard violations:

- request corrective action.
- issue a written licensing order requiring corrective action.
- suspend or revoke the licence.
- lay charges for failing to comply with an order under *The Act*, which carries a fine of up to \$1,000, plus an additional fine of up to \$200 for each day the offense continues.

The Department's preferred approach was to work with facilities to help them comply with standards, and to only consider issuing licensing orders, revoking licences, or laying charges when it deemed this necessary. It believed this was a reasonable and balanced approach to enforcement, as sometimes facilities needed education or new tools to help them comply

with the standards. However, as noted in previous sections (2.5.1 and 2.4.2), the Department did not always adequately follow-up violations to ensure they were corrected or perform all required monitoring visits. As a result, it may continue to issue provisional licences without escalating its monitoring and enforcement activities for serious or repeated violations.

The Department could not easily track the number of corrective action requests or increased monitoring visits to help bring facilities into compliance with standards because these were paper-based. But it did track use of the other options. As shown in **Figure 4**, the Department made limited use of licensing orders, licence suspensions, and prosecutions between 2006/07 and 2010/11.

Figure 4: Few licensing orders, licence suspensions, or prosecutions over last 5 years

Type of action	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Issue licensing order	5	2	3	1	4
Suspend/revoke licence	3	0	0	1	0
Prosecution recommended	0	0	0	1	0

Source: Manitoba Family Services and Labour

The Program’s policy and procedures manual stated “a licensing order is issued upon violation of a regulation which proves hazardous to the health, safety and well-being of children”. It also stated that licensing orders were to be posted at facilities and not to be removed until the Department was assured that all violations had been attended to and the facility had taken action to ensure similar violations would not occur again.

In practice, the Department generally didn’t issue licensing orders until critical incidents occurred. The last 5 licensing orders the Department issued before August 31, 2011 were all in response to specific incidents. Two were triggered by second and third occurrences of children being left unsupervised without staff noticing their absence; the other 3 were in response to first time incidents. Of these, one related to another child left unsupervised, one to alleged child abuse, and one to unsafe sleeping conditions.

Child care coordinators worked closely with facilities to help them comply with licensing orders, but some issues were challenging and ongoing, and therefore not quickly resolved. Facilities sometimes struggled to fully comply with licensing orders, which was the case for 2 of the 5 licensing orders we examined. In one case, 5 of 12 actions ordered to be followed immediately were carried over to a provisional licence, without renewing the licensing order. In the other case, the same serious incident that triggered the licensing order (a lost child) occurred again less than 6 months later. Although this was the third time this facility had

lost a child in just over 3 years, the Department chose to continue working with the facility without escalating enforcement action. We could not determine if all actions ordered in the other 3 licensing orders were completed because the Department's files lacked sufficient documentation.

The Department issued 4 licence suspensions over the past 5 years. In all cases, the Department acted appropriately in suspending the licences and nothing in the files indicated it should have taken earlier enforcement action. Three suspensions related to child abuse allegations and one related to an allegation of domestic violence between care providers.

Departmental officials told us that the Department had never recommended prosecuting a licensed facility, but had twice recommended prosecuting unlicensed home providers for operating over the allowed 4-child limit.

Recommendation 14: We recommend that the Department:

- a. ensure that monitoring and enforcement activities are escalated when consecutive provisional licences show repeated or serious violations.
- b. comply with the Department's policy requiring all ordered actions to be properly addressed before licensing orders are removed.
- c. ensure all escalated monitoring and enforcement actions, including those related to licensing orders, are fully documented.

2.6 Staff training, independence, policies and supervision

2.6.1 Job-specific training in place, but delivered inconsistently

All child care coordinators were classified as ECE IIIs and had experience working in child care facilities. New hires received training specific to their coordinator duties that typically included instruction on the online computer system, discussions with the child care specialists in the Department, job shadowing with an experienced child care coordinator, and an introduction to the Department's licensing manuals and policies. But in a sample of 4 coordinators, the nature and extent of training varied from 2 days to 2 weeks, and the training did not consistently cover the Department's licensing and policy manuals. As a result, some coordinators felt the training was sufficient; others felt more training was required.

The Department's integrated service delivery model meant that the majority of the coordinators' supervisors did not have child care backgrounds. Some attended orientation training similar to that offered coordinators, but it was optional. Some supervisors were unclear on their responsibilities for reviewing licensing files. Most supervisors told us more training on their child care duties would be helpful.

The Department recognized there were gaps and had recently started developing orientation and training modules for child care coordinators and their supervisors.

Recommendation 15: We recommend that the Department implement structured, consistent and ongoing orientation and training processes for child care coordinators and their supervisors.

2.6.2 Provincial conflict-of-interest policy followed

The Department followed the Province's conflict-of-interest policy requiring all employees to declare in writing any actual or potential conflicts of interest, both when they start their jobs and as circumstances change. The policy also requires Department management to ensure all conflicts are identified and resolved.

The Department informed employees of the policy when they were hired or promoted. It also referred to the policy in all employment letters. The Assistant Deputy Minister of the Community Service Delivery division reviewed all declared conflicts and set out in letters to employees how any conflicts were to be resolved. Potential conflicts included situations where child care coordinators would deal with facilities where relatives, friends or neighbours worked; where coordinators had previously worked; or where their children or child relatives were enrolled. Conflicts were typically mitigated by having another coordinator perform the conflicting duties or by increasing the level of supervisory involvement.

We did not encounter any situations where potential conflict-of-interest situations were not adequately resolved. But because independence is important, potential conflicts of interest should be regularly assessed. Although the Province's conflict-of-interest policy does not require it, the Department's practices could be strengthened by annually reminding all staff of the policy and requiring them to sign conflict-of-interest forms each year.

2.6.3 Licensing and policy manuals require updating and enhancement

The Department had policy and procedure manuals, as well as licensing manuals, for both centres/nursery schools and family homes. Licensing manuals were to be used by both licensed facilities and coordinators; policy and procedures manuals were only for internal Department use.

Licensing manuals were not being promptly updated for changes in standards. The manual for centres and nursery schools was last updated in 2005; the manual for family providers was last updated in 1998. In the interim, the Department issued supplementary documents on a number of changes in legislated standards and best practices. But facility staff and child care coordinators had no easy way to know which portions of the existing licensing manuals had been superseded by a supplementary document, increasing the risk that they would fail to follow changed standards. There were also some inconsistencies between the 2 policy

and procedures manuals that could not be logically explained, perhaps the result of updates to one that had not been reflected in the other, although it applied equally. For example, the manual for homes required supporting documentation for the corrective actions facilities reported, while the manual for centres did not.

Inconsistencies in the way staff conducted inspections indicated a need to clarify and enhance the guidance provided in policy and procedures manuals. Examples included:

- during initial inspections, between 0 and 32 inspection items were deferred until facilities actually began caring for children.
- some coordinators decided standards were being met through visual verification and discussion with facility staff; others relied only on discussion with the facility director.
- the time allowed to correct similar violations frequently varied considerably (for example, it ranged from 0 to 34 days for one common violation).

The Department had no formal criteria to assess the adequacy of most of the documents that facilities submitted when applying for initial licences (such as their behaviour management and inclusion support policies), although there was a checklist for assessing their safety plans.

Recommendation 16: We recommend that the Department:

- a. regularly update licensing and policy and procedures manuals to ensure they reflect current standards and practices.
- b. give sufficient guidance to coordinators to ensure greater consistency in conducting inspections and providing correction timeframes.
- c. develop criteria or checklists for assessing the adequacy of documents submitted for initial licensing.

2.6.4 Supervisory review of inspection and licensing files needs strengthening

We expected supervisors to perform and document quality assurance reviews on a sample of files from each child care coordinator, emphasizing higher risk files. This would let supervisors provide feedback to coordinators; note common issues, such as a lack of consistency in documenting inspections; and assess staff training needs.

Our review of inspection and licensing files found no evidence of any documented review of coordinators' files, although Department officials told us some undocumented reviews were being done. Before November 2011, the Department expected supervisors to review all initial licensing packages, which included all key inspection and licensing information. After this date, it also expected supervisors to review all re-licensing packages (starting in November 2011 for centres and nursery schools; starting in June 2012 for family homes),

and to formally sign off on all reviewed packages. To assist supervisors, the Department developed checklists of the documents to be included in licensing packages.

The Department's review process would be more effective if supervisors also had detailed checklists to help them assess the quality and consistency of child care coordinator work, and compliance with the Department's inspection and licensing policies. These checklists could be used when reviewing all initial and higher-risk licensing packages, as well as a sample of all others. Less detailed checklists could then be used to review the remaining licensing packages.

Recommendation 17: We recommend that the Department develop checklists to help supervisors assess the quality and consistency of child care coordinator work, including the level of compliance with the Department's inspection and licensing policies, when reviewing licensing packages.

3. Providing financial support

3.1 Managing operating grants

3.1.1 Grant levels reviewed annually

The Department annually reviewed the grant levels for infant, preschool and school age spaces in centres, nursery schools, and homes. Because the Province kept parent fees virtually frozen for most of the last 20 years, the only way to significantly increase facilities' revenue was to increase operating grants. In reviewing operating grant levels, the Department generally considered the financial viability of child care facilities; the potential harm of not increasing funding, including impacts on staff wages and the facilities' ability to meet trained staff requirements; and the funding commitments associated with its 5-year plan. The Department's review was high level and focused primarily on implications for centres and nursery schools, as opposed to homes.

3.1.2 Funding decisions need to be more transparent and better documented

To be eligible for funding, facilities had to be licensed, non-profit or a family home, and agree to follow the Department's funding policies and procedures. While the Department required nursery schools and homes to submit annual applications for operating grants, it waived this requirement for non-profit centres because it assumed annual funding requests for all spaces in these centres.

In a sample of 25 operating grant files, almost all nursery schools and homes had submitted the required application forms. Most files had evidence that the applicants had agreed to

comply with the Department's funding policies and procedures. In 2 cases, we were unable to determine if the applicants had agreed because the Department did not keep paper application forms after it electronically recorded the application information.

Although licensed non-profit facilities were eligible to receive operating grants for all their spaces, the Department had limited resources. It therefore needed to set priorities for funding because it could not immediately fund all eligible spaces in centres and nursery schools. In January 2012, there were 1,473 unfunded but eligible spaces waitlisted for funding.

The Department told us that it generally set annual funding criteria based upon the commitments in its multi-year child care plan and consideration of its annual budget allocation. Spaces not able to receive funding were held on a waitlist for future funding consideration. The Department used the following criteria to prioritize the allocation of new funding to 2,100 previously unfunded spaces in 2011/12:

- new spaces resulting from planned capital projects and facility expansions.
- infant spaces.
- spaces in centres struggling financially.
- spaces in areas of Winnipeg with lower ratios of licensed spaces to children under 12.

Generally, spaces in the 66 facilities receiving this new funding met the criteria. But the Department could only partially demonstrate that the funding process was transparent and equitable. Some facilities received funding for all their previously unfunded spaces; others received funding for only a portion of their previously unfunded spaces. Departmental officials told us this was because they sometimes waited until a facility had a sufficient number of unfunded spaces to warrant hiring an additional child care worker, based on regulated staff-to-child ratios. In 2 cases the Department considered centres to be struggling financially, but did not document discussions with centre staff or its analysis of financial statements and operating budgets. And the annual criteria were not generally shared with the facilities, although funding priorities were sometimes disclosed in government announcements or in letters responding to facility inquiries about requested funding that was not approved.

Recommendation 18: We recommend that the Department provide facilities with the criteria and priorities being used to allocate new funding to previously unfunded spaces, and fully document the rationale for all its decisions to approve or defer funding.

3.1.3 Problems in calculating complex grants

We reviewed 25 operating grant files for 12 centres, 5 nursery schools, and 8 homes. The sample included the 5 largest grants to centres; the rest were selected randomly. There were 2 calculation errors in the 25 files, an overpayment of \$3,151 and an underpayment of \$50,625 to an affiliated group of 9 facilities. These both related to more complex payments requiring manual over-rides to system-generated adjustments for attendance (needed for the proper treatment of newly funded spaces and spaces closed for entire seasons).

The Department had not developed any tools (such as Excel templates) to help with the complex manual calculations that were sometimes necessary. A senior financial analyst reviewed some of the more complicated grant files assigned to other analysts, as well as files assigned to newer analysts, but these reviews were not documented and many of the more complex calculations were done without any secondary review.

For 2 other grants in our sample, financial analysts over-rode the system's adjustment for attendance and instead calculated the grants assuming full attendance, increasing one grant by \$24,447 and the other by \$639. They did this because the facilities were considered to be experiencing "low attendance" for a "short period of time". Departmental policy allowed it and both grants were properly approved. But there was no guidance for deciding what might be a "short period of time" or "low attendance", and none of the Department's written information to facilities advertised this potential benefit.

We also noted problems with payments for extended care spaces (spaces open evenings, nights, or weekends). The *Child Care Regulation* and the Department's related guideline left room for differing interpretations of how these payments were to be calculated, and there were significant dollar differences attached to different interpretations. The Regulation was unclear as to whether the maximum payable was 1.5 times the regular grant amount for all licensed spaces (whether or not they were extended care spaces), or 1.5 times the regular grant amount for extended care spaces only. The guideline based payment only on the number of extended care spaces, but neither it nor the Regulation were clear as to whether funding was meant to be "in addition to" the regular grant amount, or "instead of" the regular grant amount.

In practice, the Department paid an additional amount equal to the regular per-space funding for all extended care spaces in centres. And it paid an additional amount equal to the regular preschool rate for all extended care spaces in family homes — including infant and school-age spaces. These payments did not differentiate spaces offering only weekday evening care from those offering evening, night, and weekend care, although it would be logical to link the extended care funding for a space to the number of extended care hours being provided.

Recommendation 19: We recommend that the Department ensure that operating grant calculations are accurate and consistent by:

- a. providing tools (such as Excel templates) to help with complex manual calculations.
- b. providing further guidance as to when adjustments for space utilization may be overridden for “low attendance for a short period of time”, and making this guidance available to all facilities.
- c. reconciling existing funding policy with actual funding practice for extended care spaces, and ensuring funding is consistent with the *Child Care Regulation*.
- d. linking the funding for an extended care space to the number of extended care hours being provided.
- e. implementing a documented quality assurance process for grant calculations.

3.1.4 Some gaps in financial monitoring of funded facilities

The Department required funded centres to submit annual budgets and audited financial statements. Funded nursery schools did not have to submit budgets, but those receiving more than \$8,000 in annual funding had to submit financial statements with review level assurance (based on a less comprehensive examination than an audit) and those receiving a smaller grant had to submit unaudited financial statements. Funded homes did not have to submit any financial information. All funded facilities had to submit attendance reports.

When required, facility budgets were due no later than one month after the previous fiscal year-end and financial statements in the required form were due no later than 5 months after year end. Financial analysts were to withhold grant instalments to centres when their financial information was late, but this did not apply to nursery schools.

The Department’s rationale for different financial reporting requirements for different types of facilities was that grants to centres were generally larger than grants to nursery schools, which in turn were generally larger than grants to homes. But some nursery schools received grants comparable to or larger than some grants to centres, particularly nursery schools receiving enhanced funding (explained in greater detail in footnote 4 to Figure 3 in the Background section), which was \$3,562 per space as at March 31, 2011. It would therefore be reasonable to require those receiving larger dollar grants to submit operating budgets, similar to funded centres.

We reviewed the Department’s monitoring activities for 12 centres and 5 nursery schools. All 12 centres submitted required budgets and all 17 facilities submitted required financial statements. Three of 12 budgets and 8 of 17 financial statements were submitted late, and grant installments were appropriately withheld for all but one late submission. This was effective in encouraging facilities to submit information promptly as even late information

was usually received within 2 months of the due date.

Financial analysts documented their reviews of submitted budget information. These reviews ensured that budgets were accurate and reasonable, and that any deficit problems were appropriately dealt with. But reviews of financial statements were not similarly documented. We found no indication that financial analysts compared actual to expected results and obtained explanations for variances.

The Department did not monitor facility compliance with base minimum wage rates for early childhood educators and child care assistants training to be early childhood educators when it provided facilities with wage adjustment grants for this purpose. Nor did it monitor facility compliance with parent fee maximums. The Department was monitoring compliance with some aspects of the pension plan requirements in the *Child Care Worker Retirement Benefits Regulation*. But this did not include ensuring that funds paid to facilities to reimburse child care workers for their pension plan contributions were used for this intended purpose.

Since some facilities are not required to submit financial statements, it would be helpful if parents were also able to monitor facility compliance with parent fee maximums. To do this, parents need to know the limits set by the Department and whether or not their facility is funded by the Department and therefore required to comply with the limits.

Recommendation 20: We recommend that the Department improve its financial monitoring of facilities by:

- a. requiring nursery schools receiving larger dollar grants to submit operating budgets.
- b. documenting reviews of facility financial statements that include variance analysis, as well as monitoring of facility compliance with parent fee maximums, base minimum wage rates where a wage adjustment grant is being provided, and all pension plan financial requirements.

Recommendation 21: We recommend that the Department ensure that parents are made aware of parent fee limits, and provided with a means of determining whether or not their child care facility is required to comply with the fee limits, by including this information in its *Parent Guide to Quality Child Care*.

3.2 Managing Inclusion Support Program (ISP) payments

3.2.1 Funding needs to be better linked to child needs and facility capability

The Department's Inclusion Support Program (ISP) helped facilities include and support children with physical, behavioural, cognitive, or other special needs. There was no application process. Child care coordinators determined ISP payments on a child-by-child basis, after consulting with the family, facility staff, qualified professionals, and referral sources. Centres and nursery school received individualized staffing grants, based on the hours and wage levels approved in each case. Family homes generally received guaranteed payments for maintaining unfilled spaces to help them meet the children's additional needs. These were also referred to as "2 for 1" payments, as the home providers essentially received double payment for an approved ISP-funded child.

The Department told us that it determined eligibility for ISP funding in 2 stages. The first stage assessed whether a child had special needs that required additional support and what that additional support might entail. To support Department decision-making at this stage, facilities had to provide referral intake forms completed by acceptable independent referral sources (such as clinicians or behaviour support workers) and any relevant diagnostic assessments from qualified professionals. The second stage only occurred if the first stage showed a need for support. It assessed whether a facility could provide the additional support without additional funding, but this assessment was not documented. There was no formal process for periodically reassessing ISP funding once it was approved.

In a sample of 25 ISP payment files, 20 (80%) had the required referral forms, 20 (80%) had the required diagnostic assessments, and 15 (60%) had a documented rationale for extra funding support. But the rationales for funding support were typically focused on the child's diagnosis (such as attention deficit disorder or autism), rather than the child's specific support needs. Assessments of facility capacity were not documented and there was no evidence that existing facility expertise, financial circumstances, staffing ratios, or the inclusion support funding already in place were considered. The Department did not keep any documentation for denials of ISP funding. Overall, there was inadequate evidence to determine if ISP funding decisions were being made in a logical, consistent, and equitable manner.

The ISP funding offered to centres and nursery schools was always for incremental staffing. The Department did not first consider if funding might be better spent on technology or training existing staff. Only 6 of 22 staffing grant files (27%) had a supporting rationale for the number of staffing hours approved and only 3 (14%) had facility wage scales to support the wage requested. The approved incremental hours ranged from 1-9 hours per day, and the approved hourly wage rates varied from \$9.79 to \$16.25.

In 3 family home ISP payment files, 2 of the payments were consistent with the Department's policy of providing "2 for 1" space payments. But in one case, the coordinator had approved a "4 for 1" payment for each of 2 children with high-level needs. The Department's policy didn't allow for this and there was no evidence of supervisory approval.

Consistent with our findings, a recent internal review of the ISP Program found that it lacked formal processes for receiving funding applications, assessing applications against consistent criteria, and determining the level of funding support. The review also found that the Department could not track program statistics (such as the most common reasons for inclusion support funding) that would help in program decision-making. As a result, the Department recognized that it needed processes that focused on the child's needs, not the child's diagnosis. And it needed to more fully consider a facility's existing resources before offering ISP funding. The Department also recognized that it needed to periodically reassess the ISP funding in place in a facility because funding might be needed for only a limited time. A child's behaviour might improve or a child might need less support after settling into a new facility. At the time of our audit the Department was developing new ISP forms and processes.

The Department exceeded its ISP budget in each of the past 4 years. Department staff told us there was no waitlist for ISP funding, so there was no need to prioritize children requiring inclusion support.

Recommendation 22: We recommend that the Department improve the Inclusion Support Program by developing policies and processes to more fully and consistently assess and document:

- a. children's inclusion support needs.
- b. facilities' inclusion support capabilities.
- c. cost-effective options for bridging gaps between children's support needs and facilities' capabilities, together with an approved rationale for the nature, level, and period of funding support selected, or a rationale for denying funding.

3.2.2 Review process needed to prevent ISP grant overpayments

The Department paid approved ISP grants to centres on the basis of submitted payment request forms signed by the facility and coordinator, and approved by a financial analyst. The forms showed the names of the children receiving inclusion support and the related hours and wages the facilities wanted reimbursed. The Department allowed minor variations from what it originally approved because support hours sometimes varied. But requests for anything significantly more than what was originally approved required follow up and further approval.

In a sample of 22 monthly payments to centres, 18 (82%) were consistent with what was originally approved and within the Department's guidelines for minor variations. But 2 centres were paid for significantly more hours than originally approved (92 versus 50 hours in one case; 140 versus 80 hours in the other), without any indication of follow up as to the cause of these variances or any additional approval. In 2 other cases, the approved staffing

grants were for one additional worker to support a group of 3 children, but both centres were paid for each of the 3 children instead. This resulted in payments 183% and 200% higher than originally approved.

In a sample of 3 payments to family home providers, all were paid consistently with what was originally approved. But, as section 3.2.1 noted, one was receiving more than allowed for in Department policy.

Department officials told us there was no regular quality review process in place for ISP payments, but that they were working to create one.

Recommendation 23: We recommend that the Department develop a documented quality assurance process to ensure that all inclusion support payments over amounts originally approved are properly explained and authorized.

3.3 Managing subsidy payments

The criteria for parents to qualify for subsidized child care fees are set out in Section 40 of the *Child Care Regulation*. To be eligible, a family's net income needs to be below a threshold and parents must generally show they need child care. They might need child care because they have jobs, are looking for jobs, are attending school, or have medical or special needs. Or they may need child care because of their child's special needs. Stay-at-home parents meeting the income threshold are also eligible for nursery school subsidy. The Department determined eligibility and notified parents of their assessed fee subsidies. It then paid the subsidies directly to the child care facilities.

3.3.1 Processes to verify subsidy eligibility mostly adequate, with some gaps

The Department determined eligibility for subsidized parent fees based on the application information parents submitted. The Department's subsidy manual had detailed policies and procedures for determining and verifying parent eligibility based on this application information, including documentation requirements. Pay stubs were required for those declaring income and jobs; proof of school registration was required for those declaring themselves to be students; and written verification was required from an appropriate professional for those needing help caring for their children for medical reasons, or because of either their or their children's special needs.

Department officials told us that staff also occasionally obtained job search activity reports when applicants declared they were seeking employment; confirmed that applicants were receiving provincial income assistance by checking the Department's on-line income assistance information system (although this was not documented in case notes); and stayed

alert for inconsistencies, such as answering machine messages inconsistent with declared family status. All applicants had to sign forms stating they understood that giving false or misleading information could lead to disqualification and repayment requirements.

Tax information from the Canada Revenue Agency (CRA) was required for all self-employed applicants, and those with rental or interest income. Department officials told us that staff would also request tax information from CRA if they had concerns that applicants might have undeclared income (for example, when applicants failed to declare sufficient income to be able to reasonably live on). In addition, facilities submitted attendance reports, which the Department used to verify child attendance before paying subsidies.

Despite the verification processes, Department officials reported there were roughly 50 cases of suspected misuse of the subsidy program annually, and that this was increasing. Potential misuse was flagged when Department staff noted something unusual, as well as when child care facility staff brought information to the Department's attention. Before December 2011, subsidy advisors could only investigate these cases if they had time. After this date, the Department hired a part-time investigator for the Winnipeg cases.

In a sample of 25 approved subsidy payments, all had approved subsidy applications on file. All initial required supporting documentation, as described above, was also on file, except in one case where approval occurred before an employment income source was verified. Two applicants stated they were receiving provincial income assistance and one applicant declared no income, but there was no documentation in case notes showing staff verified this. Six applicants stated they were seeking jobs, but no documentation indicated if job search activity reports were required.

We also reviewed on-going eligibility. One applicant continued receiving subsidy payments beyond the 6-week grace period allowed for receiving supporting documentation; another was approved for 13 weeks of subsidy to seek employment, although the maximum per policy was 12 weeks. Department officials told us significant subsidy advisor turnover in the time period we examined contributed to these issues, as well as those noted in section 3.3.2.

Many applicants' eligibility for subsidy depended on their eligibility for income assistance. But there was no formal coordination between the Province's child care subsidy and income assistance programs. Subsidy advisors could access the income assistance database, but they were not automatically notified when a subsidy recipient's eligibility for income assistance changed.

The Department had all applicants sign forms authorizing it to obtain their tax information from CRA, but it had not developed a process to periodically request information for a sample of subsidy applicants and recipients. As the Department typically verified only declared applicant income, this would help to identify any undeclared income (for example, an applicant with 2 jobs might declare only one) and supplement the existing practice of requesting tax returns whenever applicants fail to declare sufficient income to be able to reasonably live on.

In a sample of 5 declined subsidy applications, the rationales for not approving subsidy were clearly documented, and all decisions were appropriate.

Recommendation 24: We recommend that the Department improve its processes for verifying child care subsidy eligibility by:

- a. regularly sharing information between provincial income assistance and child care programs when applicants' eligibility for subsidy depends on their eligibility for income assistance.
- b. periodically requesting tax information from the Canada Revenue Agency for a sample of subsidy applicants and recipients.
- c. documenting all verification activities performed.

3.3.2 Improvements needed to prevent subsidy payment errors

In a sample of 30 subsidy application files processed between September 1, 2010 and August 31, 2011, 10 (33%) had calculation errors. In one case, the application was denied, and the calculation error did not affect the applicant's eligibility. But in all other cases, the calculation errors affected the Department's subsidy payments to facilities, and therefore the amounts parents had to pay the facilities in parent fees. Individual impacts on parents over a 4-week period ranged widely, as they paid from \$87 more to \$232 less than they should have in parent fees.

Errors occurred for a variety of reasons, such as:

- including vacation pay or a parking benefit in applicant net income, contrary to Department policy.
- treating non-taxable child support payments as taxable.
- using incorrect employee benefit deduction frequencies.
- treating a family living in the south of the province as if they lived in the north.
- using out-dated pay or child support information, even after new information was submitted.

Department officials expected supervisors to review subsidy advisor files monthly, but these reviews were not documented or performed regularly. There were no reviews of Winnipeg subsidy advisor files done during a recent 2-year period. And reviews focused primarily on the work done by a subsidy advisor on a particular day and often did not include all the paper and electronic information related to a subsidy payment. This made them less effective in catching many of the types of errors noted above.

Recommendation 25: We recommend that the Department improve the accuracy of subsidy payments by:

- a. providing related staff training to subsidy advisors and their supervisors.
- b. requiring supervisors to regularly conduct and document detailed reviews of subsidy calculations.

Summary of recommendations

Strategic planning and performance measurement

1. We recommend that the Department regularly include the following in its internal child care strategic planning:
 - a. information compiled from its Online Child Care Registry on wait times and the levels of demand for different types of child care spaces.
 - b. trends in facility compliance with all key standards.
 - c. summary results from quality assessments of centres' learning and development activities.
2. We recommend that the Department clearly state progress towards its \$37 million capital commitment and its commitment to an overall funding increase of 20% to support a stronger workforce when publicly reporting on its 5-year child care agenda.
3. We recommend that the Department improve publicly reported child care information by:
 - a. measuring and reporting wait times for child care.
 - b. determining the most significant child care standards and then reporting the province-wide level of facility compliance with these key standards.
 - c. ensuring facility licences clearly communicate all legislated standards not being met.
4. We recommend that the Department develop processes to improve communication and accountability reporting between the service delivery and policy/administration arms of the Early Learning and Child Care Program.

Ensuring compliance with child care standards

5. We recommend that the Department enhance its facility database by:
 - a. expanding it to include facility inspection results.
 - b. verifying the accuracy and completeness of database information during annual facility inspections.
6. We recommend that the Department develop processes to ensure that it does not issue initial or renewed licences when departmental policy prohibits it, or issue initial licences before it has received all the information the *Child Care Regulation* requires.
7. We recommend that the Department improve its processes for ensuring that family home providers operating over the 4-child (at any given time) limit are properly licensed by:
 - a. further educating stakeholders about family home provider licensing requirements.
 - b. periodically searching for unlicensed facilities that should be licensed.

8. We recommend that the Department direct coordinators to:
 - a. refrain from overly preparing facilities for inspections.
 - b. schedule family home inspections when children will be present.
 - c. comply with its policy requiring some monitoring visits to be during evenings and weekends for facilities with extended hours.
 - d. document whether inspections and other visits were unannounced or scheduled.
9. We recommend that the Department pilot-test doing some family home inspections on an unannounced basis, and then reconsider the need to schedule all family home inspections with providers.
10. We recommend that the Department link the frequency of regular facility inspections and monitoring visits to underlying risk factors, such as facility inspection history and licence type, and then ensure that all required visits are conducted.
11. We recommend that the Department improve inspection documentation so that:
 - a. all checklist questions are answered and answers are consistent with accompanying comments.
 - b. expected completion dates are provided for all corrective actions required.
12. We recommend that the Department investigate all complaints that a family home provider is caring for more than 4 children (at any given time) without a licence promptly, thoroughly, and in accordance with its recently revised policy for handling complaints about unlicensed facilities.
13. We recommend that the Department follow up all standards violations promptly and verify the corrective actions facilities report by obtaining supporting documentation or re-visiting the facilities.
14. We recommend that the Department:
 - a. ensure that monitoring and enforcement activities are escalated when consecutive provisional licences show repeated or serious violations.
 - b. comply with the Department's policy requiring all ordered actions to be properly addressed before licensing orders are removed.
 - c. ensure all escalated monitoring and enforcement actions, including those related to licensing orders, are fully documented.
15. We recommend that the Department implement structured, consistent and ongoing orientation and training processes for child care coordinators and their supervisors.

16. We recommend that the Department:
 - a. regularly update licensing and policy and procedures manuals to ensure they reflect current standards and practices.
 - b. give sufficient guidance to coordinators to ensure greater consistency in conducting inspections and providing correction timeframes.
 - c. develop criteria or checklists for assessing the adequacy of documents submitted for initial licensing.
17. We recommend that the Department develop checklists to help supervisors assess the quality and consistency of child care coordinator work, including the level of compliance with the Department's inspection and licensing policies, when reviewing licensing packages.

Providing financial support

18. We recommend that the Department provide facilities with the criteria and priorities being used to allocate new funding to previously unfunded spaces, and fully document the rationale for all its decisions to approve or defer funding.
19. We recommend that the Department ensure that operating grant calculations are accurate and consistent by:
 - a. providing tools (such as Excel templates) to help with complex manual calculations.
 - b. providing further guidance as to when adjustments for space utilization may be overridden for "low attendance for a short period of time", and making this guidance available to all facilities.
 - c. reconciling existing funding policy with actual funding practice for extended care spaces, and ensuring funding is consistent with the *Child Care Regulation*.
 - d. linking the funding for an extended care space to the number of extended care hours being provided.
 - e. implementing a documented quality assurance process for grant calculations.
20. We recommend that the Department improve its financial monitoring of facilities by:
 - a. requiring nursery schools receiving larger dollar grants to submit operating budgets.
 - b. documenting reviews of facility financial statements that include variance analysis, as well as monitoring of facility compliance with parent fee maximums, base minimum wage rates where a wage adjustment grant is being provided, and all pension plan financial requirements.
21. We recommend that the Department ensure that parents are made aware of parent fee limits, and provided with a means of determining whether or not their child care facility is required to comply with the fee limits, by including this information in its *Parent Guide to Quality Child Care*.

22. We recommend that the Department improve the Inclusion Support Program by developing policies and processes to more fully and consistently assess and document:
 - a. children's inclusion support needs.
 - b. facilities' inclusion support capabilities.
 - c. cost-effective options for bridging gaps between children's support needs and facilities' capabilities, together with an approved rationale for the nature, level, and period of funding support selected, or a rationale for denying funding.
23. We recommend that the Department develop a documented quality assurance process to ensure that all inclusion support payments over amounts originally approved are properly explained and authorized.
24. We recommend that the Department improve its processes for verifying child care subsidy eligibility by:
 - a. regularly sharing information between provincial income assistance and child care programs when applicants' eligibility for subsidy depends on their eligibility for income assistance.
 - b. periodically requesting tax information from the Canada Revenue Agency for a sample of subsidy applicants and recipients.
 - c. documenting all verification activities performed.
25. We recommend that the Department improve the accuracy of subsidy payments by:
 - a. providing related staff training to subsidy advisors and their supervisors.
 - b. requiring supervisors to regularly conduct and document detailed reviews of subsidy calculations.

Response of officials

The Department would like to thank the Office of the Auditor General (OAG) for its review of the Manitoba Early Learning and Child Care Program (MELCC). The Department accepts the findings and will act on all the recommendations outlined in this report. The Department is committed to supporting high quality early learning and child care and has stringent requirements in legislation to support and protect children's health, safety and well-being. The Department has continued to raise the bar on early learning and child care across Canada and notably is in its second multi-year plan to further develop, strengthen and grow its largely not-for profit community-based system to meet the needs of Manitoba children, families and communities. The current plan for child care, called *Family Choices-Manitoba's Five-Year Agenda for Early Learning and Child Care*, includes many unique goals and initiatives, such as: *The Child Care Safety Charter* - the first legislation of its kind in Canada; the *Online Child Care Registry*, which enables parents to register their early learning and child care needs online; and, registered pension plans and retirement benefits for Manitoba's early learning and child care workforce - making Manitoba the only province outside of Quebec offering these supports.

The audit found that overall, the Department consulted with stakeholders and used a variety of information for the planning and development of initiatives; publicly communicated on its child care commitments (the Department regularly reports on its progress and initiatives through such public documents as annual reports, news releases, early learning and child care newsletters and correspondence to facilities); regularly updated legislated child care standards; maintained up-to-date and accurate information about licensed child care providers; and facility inspections were completed in a timely manner.

The report makes several recommendations to develop or enhance processes for improving publicly reported information, ensuring licensing practices are consistent with policies and standards; and improving the accuracy and accountability of its financial areas with enhanced monitoring and quality assurance practices. The Department has many processes and procedures in place to ensure consistency and accountability and continues to strive to improve quality, safety and accountability via work that is planned or currently underway to address many of the report's recommendations.

The Department has made improvements in a number of areas identified by the OAG with various activities already in progress, including:

- Improving communication and accountability between the service delivery and policy/program divisions through various mechanisms such as regular meetings and a new written communication tool.
- The Department has also engaged outside experts to lead it through an in-depth strategic transformation process, to ensure the best use of its resources in planning and delivering services.

- Recently filling a vacancy in the compliance/investigations area that will increase the Department's capacity in the area of compliance, including ensuring that unlicensed provider complaints are followed up on promptly.
- Establishing a committee to identify staff competency gaps and develop standardized orientation and training for child care coordinators and supervisors.
- Strengthening licensing enforcement and escalation by developing checklists to assist supervisors in assessing compliance with licensing and re-licensing policies.
- Regularly reviewing policies and procedures, and revising them as required, to ensure that policy and practice is aligned.
- Completing a review of the Inclusion Support Program and establishing a working group to revise procedures for determining children's support needs, assessing facility capacity and improving existing quality assurance processes for the allocation of financial resources.
- Implementing measures to improve the verification of subsidy for clients on EIA and for requesting tax information from CRA on a random selection of subsidy files.
- Providing additional training and support to child care subsidy advisors to assist in improving the accuracy of subsidy payments and implementing a regular review process for subsidy assessments.

The Department will take the following actions:

- Provide written direction to staff in early January 2013, to clarify inspection and monitoring procedures, including:
 1. Requiring the verification of the accuracy and completeness of database information during annual facility inspections;
 2. Refraining from overly preparing facilities for inspections;
 3. Scheduling family child care home inspections when children are present;
 4. Requiring a portion of monitoring visits to be conducted on evening or weekends for facilities providing extended hour care;
 5. Documenting if inspection visits are announced or unannounced;
 6. Requiring all inspection checklist questions are answered and answers are consistent with the accompanying comments;
 7. Noting requirements for the issuance of initial and renewed licences;
 8. Providing expected completion dates for all required corrective actions;
 9. Addressing and escalating repeated and serious issues in a timely manner; and
 10. Requiring all ordered actions to be properly addressed before licensing orders are removed.
- Revise procedures to identify key standards and the requirements for verifying corrective actions for all standards by obtaining supporting documentation or revisiting the facility.

- Establish a pilot project to complete some family child care home inspections on an unannounced basis.
- Review available statistics from the Online Child Care Registry, as well as other useful information related to key standards and quality assessments and use that information for internal strategic planning.
- Build on our current public reporting processes by including more information for parents and licensed facilities related to key standards, compliance and funding. The Department will also include information on parent fee limits in its *Parent's Guide to Quality Child Care*.
- Develop a quality assurance process to ensure recommendations and actions are implemented and to support ongoing monitoring of compliance, reporting and financial supports and payments.

Moving forward, the Department will develop approaches and take the necessary action to address the remaining recommendations in this report, including deterring unlicensed private home providers from caring for more than the allowable number of children; establishing a more risk based approach to licensing and financial monitoring of child care facilities; and making the required changes to the IT system to address related recommendations in this report.

