



*Office of the Auditor General*

**AUDIT OF  
ONTARIO WORKS CHILD CARE (OWCC) SUBSIDIES  
2006  
Chapter 13**



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## 1 Introduction

The review was undertaken in response to a report made to the Fraud and Waste Hotline.

The report to the Fraud and Waste Hotline alleged that the majority of Ontario Works Child Care (OWCC) subsidies for informal childcare provided to Ontario Works clients are being fraudulently obtained, and that City staff are aware of the fraud.

## 2 Background

The Parks and Recreation Branch administers the OWCC subsidy. At the Branch level, approximately \$89.5 million was spent on Child Care Services in 2006, of which the City's net requirement was approximately \$20 million (the majority of child care funding is shared with the Province at a rate of 80/20). For the OWCC subsidy for informal child care, approximately \$3.3 million was spent in 2006, of which the City's net requirement was \$660,000. The majority of child care subsidies are spent on formal child care arrangements where the subsidy is paid directly to a licensed daycare facility/provider.

The Province has established a directive for administering the OWCC subsidy for informal childcare through its Ontario Works Directive 49.1 – Strategic Management of Childcare Funding, which provides high-level direction on administering the subsidy. As stated in the Directive, the purpose of the policy is to *“assist delivery agents in managing child care resources to maximize the number of participants in employment assistance activities and employment.”* In our review of the Provincial directive, we noted a reference to the Canada Income Tax Act which appears to be inaccurate. The directive is slated for review by the Province in the future. Correspondence to the Province will be sent by the Auditor General recommending that this reference be examined to ensure its accuracy, clarity and relevance.

Based on our discussions with the Province, municipalities have been tasked with developing the specific processes for determining eligibility and administering the subsidy. As such, the City has defined eligibility criteria for the OWCC subsidy for informal childcare. However, the Children's Services Division has not formally documented the eligibility criteria or the process that is followed to determine eligibility (e.g. a checklist, etc.). The eligibility criteria set by the City are as follows:

- That the recipient of the subsidy be an active Ontario Works client;
- That the recipient have an up-to-date Participation Agreement (PA) on file that specifies the employment or employment assistance activity that the client is involved in (if the client has a spouse, this also applies to the spouse);

- That the recipient be the parent/guardian for dependent children between 0-12 years of age, unless special care is required; and
- That the recipient provide caregiver receipts on a monthly basis for childcare expenses that occur during employment assistance activities and employment.

### 3 Objectives

The objectives of this review were to assess the controls and processes in place to administer the OWCC subsidy for informal childcare, and ensure that eligibility criteria set by the City are being adhered to.

On April 28, 2006 the City migrated the administration of OWCC from the Record Services and Verify Payments (RSVP) system to the Ontario Client Care Management System (OCCMS). At the time of this audit (October 23, 2006), OWCC reported having 364 active client files. A random sample of 42 files were reviewed, which represents 11.5% of the total active caseload.

Specifically, the objectives of the file review were to determine if:

- eligibility criteria for recipients are being met;
- the OWCC client provided a valid Social Insurance Number (SIN) of the caregiver, as required by the City. It should be noted that the caregiver SIN is not required by the Province and does not impact on client eligibility as defined by the Province; and
- the OWCC subsidy rate is consistent with the hours specified for the employment or employment assistance activity in the Participation Agreement (PA) and Service Plan, and that the subsidy amounts do not exceed the maximum.

### 4 Observations

Based on our review of a sample of 42 files, we found no evidence that clients or caregivers were attempting to fraudulently obtain the OWCC subsidy or that staff were fraudulently awarding the subsidy. However, issues were identified regarding the enforcement of the City's eligibility requirements.

Specifically, the file review identified:

- 5 of 42 files (12%) had Participation Agreements (PA) that were not up to date. Based on the eligibility requirements established by the City, an out-of-date PA should have resulted in the suspension of the subsidy. It should be noted, as explained below, that all OWCC subsidies are re-confirmed every 3-6 months. As a result, in those cases where the PA is out of date, the longest period of time that the subsidy could continue would be six-months.

- 6 of 42 files (15%) of the files reviewed showed that the subsidy had been renewed without any receipts on file. Based on the eligibility requirements established by the City, the lack of caregiver receipts should have resulted in the suspension of the subsidy.
- 7 of 42 files (17%) of the files reviewed showed that the subsidy had been renewed without up-to-date receipts on file. Based on the eligibility requirements established by the City, the lack of caregiver receipts should have resulted in the suspension of the subsidy.

Areas for improvement identified during this audit include:

**1. Improved communication between OWCC Case Coordinators and EFA Case Coordinators is required.**

The client's OW file is maintained by an EFA Case Coordinator who determines eligibility for OW financial assistance and maintains the client's Participation Agreement. The OWCC Case Coordinator determines eligibility for the OWCC subsidy for informal childcare. Unless a specific end date is determined for employment or activity under the PA, the OWCC subsidy is given monthly for a three-month period for clients who are employed and six months for clients who are in an education or training activity. After this period, the files are reviewed by the OWCC Case Coordinator to confirm if eligibility should continue and make any necessary adjustments to the file.

Issues can arise if, during the three or six months prior to the regular OWCC review of the file, the client terminates their employment or stops participating in an activity but does not report it to the OWCC Case Coordinator. The OWCC Case Coordinator would be unaware of the client's change in status and the subsidy would continue to be paid even though the eligibility criteria are not being met. OWCC staff reported to us that it is possible for this to occur although our file review did not identify any such incidents. The Province has also identified this as an issue in their 2006 audit of OWCC. Better communication between EFA and the Children's Services Division is required to ensure any changes to a client's status and eligibility are being reported in a timely manner so that the subsidy can be adjusted accordingly.

**2. More rigorous enforcement of the requirement for childcare receipts is needed.**

As outlined above, our file review identified several cases where up-to-date monthly receipts were not on file. Continuing to provide subsidies under these circumstances violates the eligibility rules. OWCC staff should be more rigorous in enforcing these requirements to ensure clients provide monthly receipts in a timely manner. Since starting the audit in October 2006, OWCC staff have taken steps to ensure more timely collection of receipts.

**3. The City should review its requirement to collect caregiver SIN.**

Currently, OWCC Case Coordinators require that the caregiver SIN be provided at the time of application for the OWCC subsidy, along with the name, address, and phone number of the caregiver. The SIN is then entered into the OW system to determine if the SIN is valid (no other details can be verified such as name, address, phone number, etc.) as a way of verifying the authenticity of the caregiver. Checking the caregiver SIN is also a way of determining if the caregiver is also an active OW client. If the caregiver is an active OW client, the caregiver's Case Coordinator is notified to ensure the caregiver is reporting the earnings. Federal and provincial legislation on the collection of Social Insurance Numbers should be reviewed to determine if this practice is appropriate. The Province does not require this information to be collected.

Informal child care is a relatively small component of the full mandate of the Children's Services Division. A comprehensive audit of the Division is scheduled for 2008.

## **5 Recommendations**

### **Recommendation 1**

**That the Children's Services Division formally document the eligibility criteria they have established for administering the OWCC subsidy.**

#### **Management Response**

Management agrees with this recommendation.

The Children's Services Division will implement a policy and procedure to document eligibility requirements by the end of February 2007. The process will include a checklist placed on each client file to ensure that the eligibility requirements have been met.

### **Recommendation 2**

**That the Children's Services Division enforce the requirement for OWCC clients to submit monthly receipts for childcare expenses and that subsidies be suspended in cases where receipts are not provided.**

#### **Management Response**

Management agrees with this recommendation.

The Children's Services Division implemented a procedure, effective 1 January 2007, to guide staff on the management of monthly receipts for childcare expenses. The procedure includes actions to be taken when receipts are not provided.

### **Recommendation 3**

**That the Children's Services Division establish appropriate communication processes with Employment and Financial Assistance (EFA) to ensure that any changes to an OW client's status and Participation Agreement (PA) are communicated and that subsidies are adjusted accordingly in a timely manner.**

#### **Management Response**

Management agrees with this recommendation.

The Children's Services Division staff is working with the EFA Branch to develop a mechanism to identify changes to an OW client's status that might affect their eligibility for Ontario Works Child Care funding. EFA relies on the client to inform them when changes occur. Therefore, any communication mechanism put in place between EFA on OWCC clients will also rely on clients reporting changes to their circumstances. The process will be in place by September 2007.

### **Recommendation 4**

**That the Children's Services Division review their practice of collecting caregiver SINs to ensure compliance with federal and provincial legislation, and that the Division consider other methods of verifying caregiver authenticity (e.g. Canada 411 reverse phone, system search on name and/or address, copy of driver's license, etc.).**

#### **Management Response**

Management agrees with this recommendation.

The use of Social Insurance Numbers to verify caregiver authenticity is a historical practice that is no longer providing the Children's Services Division with the information actually required. The Auditor's suggestion that other options would be more appropriate is appreciated. Staff will be reconsidering what is required and will explore other ways to provide the information necessary to maintain caregiver files. A new practice is expected to be in place by the end of February 2007 supported by a written procedure to guide staff.

## **6 Conclusion**

The requirement to obtain caregiver receipts is not enforced in many cases. Based on the eligibility requirements established by the City, the lack of caregiver receipts should have resulted in the suspension of the subsidy. During the course of our audit, Management did implement a more rigorous approach in this regard. Better coordination between Child Care and EFA is also needed to improve the transfer of client information.