

Out-of-School Care Subsidy Process Review

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1. Executive Summary

The City of Edmonton provides Out-of-School Care (OSC) subsidies to approved OSC centres on behalf of qualified parents/guardians of school age children who require after school care. This program complements the Province Of Alberta subsidy program for pre-school age children.

Community Services Department “believes that it has a responsibility to share in educating the public regarding child care issues, to continue to strive for higher standards for care within responsible fiscal limits, and to be responsive to changing needs in society” (Out-Of-School Care Program Manual 5.03.3 Philosophy). The Philosophy Statement of the City of Edmonton Out-of-School Care Standards – 2000 states: “The City of Edmonton seeks to enhance the quality of life for all families by ensuring that a high standard of child care is available, accessible and affordable. Out-of-School Care programs are encouraged to accept and meet the needs of ALL children in their programs, including those with special needs and diverse cultural backgrounds.”

Subsidies paid by the City to the OSC centres are based on the income eligibility of the parent/guardian. The Office of the City Auditor (OCA) review concluded that the subsidy assessment process is effective in ensuring that the subsidy assessments are generally valid and accurate.

The process of completing and approving subsidy claims is not as effective as the subsidy assessment process. There are several factors that impact the effectiveness of this process. One is that the economic conditions in Alberta have changed significantly over the past several years, impacting low-income individuals’ disposable income. Another is that the child subsidy rate paid to the OSC centres has remained unchanged since 1992 even though operating costs to the OSC centres may have increased. The net impact is that the financial and operational controls implemented several years ago have become less effective over time as financial pressures for both the parents/guardians and the centre operators have increased. The reliance on upper and lower limits of time-in-attendance as a means of determining subsidy funding levels has increased the likelihood of purposefully overstating hours of care by the OSC centre operators and parents/guardians. This has become an increasing area of concern to the City Administration. The OSC subsidy process may require substantial redesign to overcome the risk and increased incidence of overstating hours.

2. Introduction

The Out-of-School Care Section of City Wide Services Branch, Community Services Department administers the Out-of-School Care (OSC) program, which pays subsidies on behalf of approximately 2000 children at approximately 160 OSC Centres, 10 Family Home Day Agencies, and 30 Day-care Centres. The City of Edmonton’s Out-of-School Care program has an annual operating budget of \$6.1 million including an allocation of \$3.8 million from the City’s provincial Family and Community Support Services (FCSS) grant.

A parent(s) is eligible to receive an out-of-school care (OSC) subsidy for their school-aged children (grade 1 to 6, up to age 13), based on a family income assessment, for

those periods that they are at work, in school, or for extenuating circumstances, e.g., medical needs. To apply for a subsidy at an approved OSC centre, a parent must complete an application form. Documentation must be provided to support: the level of income claimed, attendance at school, extenuating circumstances, etc. City Administration staff review and verify the parent application and the supporting documentation. They then inform the parent and the OSC centre as to whether or not the subsidy is approved, what the parent portion will be and for what period of time the subsidy applies (maximum of 12 months before a renewal application must be completed).

The subsidy (currently at \$280/month for approved OSC centres) for a child qualified for full subsidy is paid monthly, in advance, to the approved OSC centre. The parent is responsible for paying the parent portion of the OSC fee directly to the OSC centre. At the end of each month, the Out-Of-School Care (OSC) centre submits a claim to the City's OSC Section along with the attendance records for the subsidized children.

City Administration staff review each OSC centre's monthly claim, together with the supporting attendance records. They check for the presence of signatures (operator and parents) and reasonability of hours per child before approving the claim for payment. Any adjustments to the advance payment are calculated and added to or subtracted from the next month's pre-payment.

OSC centres are licensed by the Province of Alberta under the provisions of the Social Care Facilities Licensing Act, Ministry of Children's Services. The maximum capacity for each facility is stated in the license. Licenses are renewed based primarily on the recommendations of and feedback from City of Edmonton OSC staff.

The main objective of this review was to provide assurance that the subsidy payments provided to the OSC centres are based on accurate records.

3. Results

Eleven OSC centres (of the approximately 160 OSC Centres) participating in the OSC subsidy program were selected at random to determine whether the subsidy provided to the centre was adequately justified. For each of the selected centres, subsidy claims submitted over a period of three months were reviewed and, within each claim, a random sample of children's attendance records and eligibility status were reviewed for accuracy and compliance with the procedures in the OSC Manual. OCA staff also visited each selected centre in December 2001 and noted the completeness and accuracy of the records on the day of the visit.

Eligibility Criteria

Eligibility criteria for OSC centres have been designed into the OSC subsidy program to mitigate the financial risk of over-payments, false claims, etc. These criteria include criminal checks, existence of a valid provincial license, maximum facility capacity, adequate/appropriate insurance, a restriction that fees charged for subsidized children is the same or less than the fees charged to parents paying the full fee, etc.

This review indicated that City Administration is successful in implementing and enforcing the above criteria. Requiring that criminal checks also be performed for designated persons who are engaged in the handling of monies and subsidy claims and/or have signing authority would strengthen controls. The OSC Section needs to

consult with the Edmonton Police Service to determine the optimal frequency for updating criminal checks.

Subsidy Assessments

To ensure accountability regarding the validity of the subsidy assessment, the Parent OSC Subsidy Application Form requires the signatures of both the OSC operator and the parent/guardian. City Administration staff review parent income eligibility in the OSC Subsidy Application form, supporting documentation, and set a subsidy review date for each parent/guardian. The subsidy assessment is set according to an Approved OSC Fee Schedule.

In accordance with the OSC Program Manual, City Administration staff perform random monthly reviews on applications that have already been approved and verify the information in ten percent of the parent applications. Results from the November 2000 to April 2001 review indicate that of the 180 applications reviewed, 15% failed to report changes in circumstances. Updates included address changes, employment changes, subsidy termination, requests for repayment, warning letters, etc. The results of this City Administration review need to be evaluated further to determine if it would be financially feasible to expand the review.

The vast majority of the assessments reviewed in our sample were valid and accurate. The few exceptions found were related to accuracy, not validity, and appear to be isolated errors of limited magnitude. The random verifications by City Administration staff provide an excellent tool to evaluate the validity of the applications and should be continued.

Subsidy Claims

To help ensure the validity and accuracy of the subsidy claims, City Administration staff developed procedures and guidelines for completing children's attendance sheets prior to approval by the parent/guardian to prevent unauthorized alterations. Only claims signed by OSC centre operator and accompanied by attendance sheets signed by a parent or guardian are processed for payment.

The OCA review indicated a high error rate in the completion of the attendance sheets by operators of OSC centres. Many of these errors did not have a significant financial impact on the subsidy amount paid. However, they do indicate the lack of diligence and care by the OSC centres in completing the attendance sheets. Additional enforcement of administrative procedures by City Administrative staff should contribute to the reduction of the error rate by improving the reliability of OSC centre records.

Other procedures/guidelines that assist City Administration staff in assuring the validity of attendance sheets include:

- verifying the payment of the parent portion of the fee (there is greater probability that children are actually attending if the parent or guardian is paying his/her portion of the fee),
- issuance of a receipt to the parent for the payment of the parent portion, and
- existence of adequate records that track the amounts due per parent.

In some of the centres, the OCA found that a high percentage of parents (in some cases up to 50%) do not pay the parent portion. Although operators of some OSC

centres complain that the subsidy fees are not adequate, they allow subsidized parents to continue using the centre without paying the parent portion of the fees. This could imply that the subsidy payment alone is adequate to support operations of those OSC centres. This is not the outcome that was intended by the OSC subsidy program. Alternatively, it could indicate that OSC centre operators are unwilling to risk losing the guaranteed portion of the income from subsidized children that could mean the difference between remaining open and closing the centre.

During visits to the OSC centres, the OCA recorded which children in the sample were actually present at the centre during the audit visit and compared this against what was recorded on the attendance forms. The OCA also compared this information against the attendance sheets subsequently submitted with the monthly claim.

The OCA found several inconsistencies between the records submitted by the OSC centres and those obtained by the OCA during the on-site visits. Five of the eleven OSC centres reviewed had some discrepancies between the attendance sheets copied on the day of the OCA visit and the attendance sheets submitted with the monthly claim. These will be investigated separately.

There were several occurrences of pre-signed attendance sheets, with at least one being altered after the parent had signed it. The appropriateness of this alteration will be investigated separately.

Other Issues

The OSC information system requires revisions or replacement to assist OSC Section management and staff in effectively monitoring operations. It does not “bring forward” identified issues for action. It does not provide management exception reports such as license update exceptions, criminal check exceptions, grace period payment exceptions, etc.

4. Conclusion

The OSC subsidy process may require substantial redesign to overcome the increased likelihood of purposefully overstating hours of care. Potential solutions include provision of grants to OSC centres based on criteria in addition to an individual child’s attendance at the centre.

Following discussion of the observations resulting from this review, the Administration has agreed that substantial program redesign is required to mitigate the risks that have developed since implementation of the current control systems. In the interim, the Administration has also agreed to implement changes to the more critical control weaknesses. The OCA will review the Administration’s control system redesign process and provide proactive input into the process as appropriate to ensure that risks identified during this review are mitigated in a cost-effective manner.