
MINISTRY OF COMMUNITY AND SOCIAL SERVICES

Child Welfare Services Program

3.02

BACKGROUND

Child welfare services in Ontario are governed by the *Child and Family Services Act* (CFSA) and regulations, as well as standards and guidelines issued by the Ministry of Community and Social Services pursuant to the Act and regulations. The Ministry is responsible for funding and setting expectations for child welfare services through legislation and regulation, as well as monitoring the performance of Children's Aid Societies and taking corrective action as necessary. Children's Aid Societies (Societies) have primary responsibility for providing child welfare services in accordance with the CFSA. Under the Act, the mandate of the Societies is to:

- investigate and assess child abuse and neglect allegations;
- provide guidance, counselling and other services that protect children from neglect and physical, sexual and emotional abuse;
- provide temporary or permanent guardianship including residential care for children separated from their families; and
- where appropriate, place children for adoption.

The child welfare system in Ontario has recently undergone significant changes resulting from widespread concerns about child protection practices, policies and legislation.

Child protection services are available to children under the age of 16 years. However, the Societies can also provide services to youth up to the age of 18 years, based on mutual consent, as well as supplemental extended care and maintenance support to former Crown wards up to the age of 21 years.

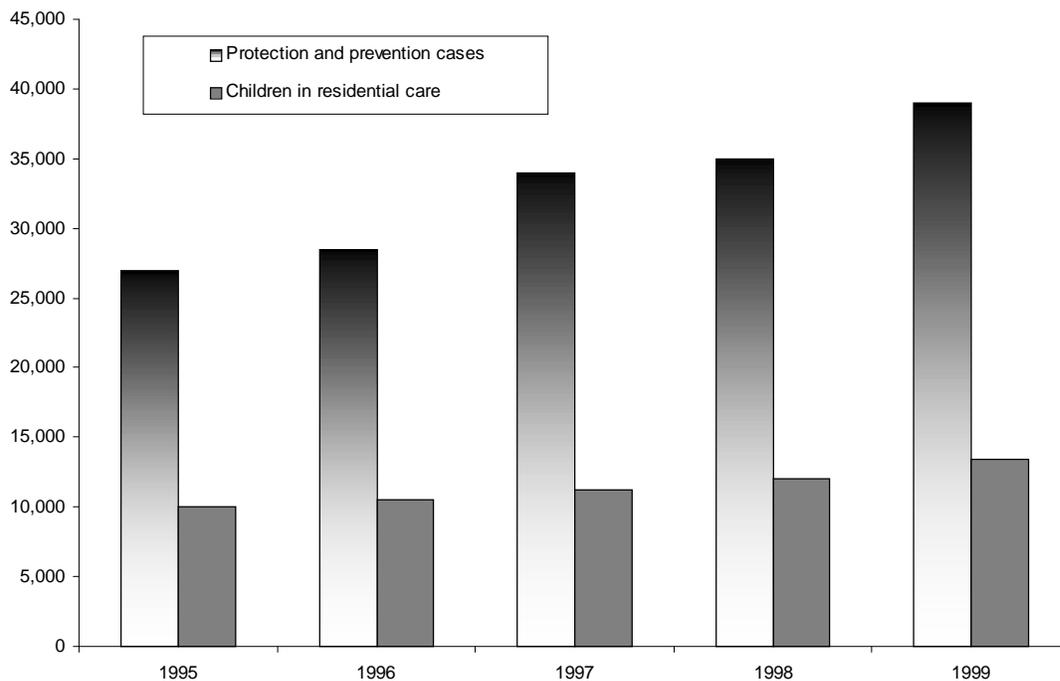
The Ministry provides funding to 53 local Societies for the delivery of child welfare services. The Ministry has a network of nine regional offices which coordinate service planning and monitor the activities of the Societies.

Each of the Societies is governed by an independent volunteer board of directors. Historically, the Ministry and local municipalities have shared funding for the Societies on an 80:20 basis respectively. However, since January 1, 1998, the Ministry has provided 100% of program funding under the government's local services realignment initiative.

The Ministry estimated that the Societies provided various types of services to approximately 154,000 children from 86,000 families over the course of the fiscal year ending March 31, 2000. Approximately 13,300 of these children were in residential care. Program expenditures during that year totalled approximately \$654 million, of which \$642 million was for transfer payments to the Societies.

The number of children served as of the end of each of the last five years is shown in the following graph.

**Volume Indicators
as of December 31 of each year indicated**



Source: Ministry of Community and Social Services

AUDIT OBJECTIVES AND SCOPE

The objectives of our audit were to assess whether the Ministry's monitoring of the Societies was adequate to determine whether:

- children in need were receiving the appropriate care and protection, as required by legislation, and in an effective manner; and
- the program was being delivered with due regard for economy and efficiency.

The scope of our audit included a review and analysis of relevant ministry files and administrative procedures as well as interviews with appropriate staff at the Ministry's head office and three regional offices that accounted for about 50% of total program expenditures.

3.02

We also reviewed case files and held discussions with staff at three Societies that accounted for about 30% of total program expenditures.

Prior to the commencement of our audit, we identified the audit criteria that would be used to address our audit objectives. These were reviewed and agreed to by senior ministry management.

We substantially completed our audit examination by March 31, 2000. Our audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Our audit included a review of the audit reports issued by the Ministry's Internal Audit Services. However, we were unable to reduce the extent of our audit as a result of this review because, although Internal Audit Services had reviewed individual Societies, it had not conducted any system-wide reviews of the Child Welfare Services program.

OVERALL AUDIT CONCLUSIONS

The Ministry has taken a number of steps since our last audit in 1994 to help ensure that children in need receive the necessary care and protection on a timely basis. However, if the Ministry is to be assured that children in need are being adequately protected, the Ministry must more effectively monitor the Societies. Specifically, the Ministry needed to take action so that:

- the Societies conduct and adequately document the work required under the new Risk Assessment Model for Child Protection in Ontario in order to demonstrate that they are properly assessing the needs of children reported to be in need;
- where required, the plan of service that outlines the actions needed to protect each child is prepared and implemented on a timely basis;
- all instances of non-compliance with program requirements, including those related to serious occurrences, are identified and acted upon on a timely basis; and
- program outcome effectiveness measures are developed and implemented.

We also concluded that the Ministry's new funding framework, which is to be fully implemented in the 2000/01 fiscal year, is a substantial improvement over the Ministry's previous method of determining the Societies' program funding. However, the Ministry will not realize the benefits of the new funding framework until it:

- ensures that the per diem funding rates for residential group home and foster care are based on an assessment of the nature and the reasonableness of the cost of the underlying services to be provided to meet the needs of the child;
- ensures that funding for direct service costs is based on reasonable workload standards and salary levels that are achievable in the year to which the funding relates;
- reassesses whether the current practice of funding Societies' indirect service costs based on a fixed percentage of net direct service costs is reflective of the actual indirect service costs they incur; and

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- ensures that service data on which all funding decisions are now based are complete and accurate and continue to be on an ongoing basis.

DETAILED AUDIT OBSERVATIONS

Since our last report on this program in 1994, the child welfare system in Ontario has undergone significant changes resulting from widespread concerns about the capacity of the Societies to adequately protect children at risk. In response to inquest findings and recommendations, and a series of reports such as the *Ontario Child Mortality Task Force Report* (July 1997), *Report of the Panel of Experts on Child Protection* (March 1998) and *Child Welfare Accountability Review* (January 1997), the Ministry developed a step-by-step plan to strengthen the child protection system. Components of this plan include the following initiatives:

- amendments to the *Child and Family Services Act* that provide stronger protection tools for the courts, professionals and front line staff by stating clearly that the best interests of children must come first;
- introduction of the new Risk Assessment Model for Child Protection in Ontario for assessing children reported to be in need of care and protection;
- revitalization of foster care, including increased rates for foster parents, enhanced foster parent training programs and a foster care recruitment strategy;
- introduction of a new funding framework that provides a more rational and equitable approach to funding the Societies based on service volumes;
- development of a new information database to help track high-risk families across the province, which is expected to be fully implemented by March 31, 2000; and
- adoption of outcome measures to assess the overall effectiveness of child welfare services that will be piloted in 2000/01.

CASE MANAGEMENT

ELIGIBILITY FOR PROTECTION SERVICES AND THE PROTECTION INVESTIGATION

Assessing the circumstances of children reported to be at risk and determining the appropriate protective services required has always been one of the most important components of the Child Welfare Services program. However, prior to 1998, the Societies did not have a consistent method to assess children reported to be at risk. In fact, only half of the Societies used some type of structured risk assessment tool at all.

Recognizing the need for more consistency in the assessment of children at risk and acting on the recommendations of several coroner's juries investigating the deaths of children under the care of a Society, the Ministry developed the Risk Assessment Model for Child Protection in Ontario, which was implemented across the province in September 1998. This model provides a

3.02

structured and standardized framework for making critical decisions in child protection cases. It includes the following three components:

- An eligibility assessment, to determine whether the referral meets any one of the established eligibility criteria for protective services and the concern is of sufficient severity to require protective service. The outcome must be documented within 24 hours of the referral.
- A safety assessment, which must be undertaken at the time of initial referral and first contact with the child (first contact must occur within 12 hours or seven days of the referral, depending on the circumstances), to determine the child's immediate safety within the family home and whether the child should be removed immediately. This assessment must be documented within 24 hours of first contact.
- A risk assessment, which must be documented within 30 days after initiating a protection investigation and at regular intervals thereafter, to assess the potential harm to the child and determine the type and level of ongoing intervention required, if any.

Once the protection investigation is completed a determination is made as to whether the child is in need of protection and ongoing protection services. If the child is deemed to be not in need of protection, the protection investigation file is closed.

We noted that the Ministry did not have a process to monitor and assess whether Societies were complying with the requirements of the Risk Assessment Model for Child Protection in Ontario.

During the summer of 1999, the Ministry conducted a province-wide Services and Financial Data Review, which included a review of approximately 4,400 case files across all Societies. The primary objective of this review was to determine the accuracy of reported caseload data for current and future funding decisions (see Financial Accountability for further discussion), rather than for determining compliance with case management standards in general or the Risk Assessment Model for Child Protection in Ontario in particular. As a result, neither the individual reports issued to the Societies nor the province-wide summary report issued in January 2000 evaluated compliance with the Risk Assessment Model for Child Protection in Ontario or made any recommendations for improvements in that regard.

When we prepared a summary of the files reviewed by the Ministry for the three regional offices we visited, we noted non-compliance with the Risk Assessment Model for Child Protection as follows:

- for approximately 10% of the referrals, where the child was found not to be in need of protection as a result of the protection investigation, there was little or no documentation to justify closing the protection investigation file; and
- for one region, ministry reviewers noted that half of the closed protection investigation files contained sufficient indications that further investigative work should have been conducted before the files were closed.

As a result, the Ministry had insufficient assurance that children's needs were adequately assessed and the appropriate protection services had been provided in these instances.

Recommendation

To help ensure that children reported to be at risk receive the appropriate protection in compliance with the Risk Assessment Model for Child Protection in Ontario, the Ministry should:

- **conduct periodic file reviews to assess compliance with case management standards in general and the Risk Assessment Model in particular; and**
- **identify instances of non-compliance and ensure that the necessary corrective actions are taken on a timely basis.**

Ministry Response

As part of child welfare reform, the Ministry has developed a strategy to improve accountability of the Children's Aid Societies in relation to the services that are provided.

Under this strategy, effective 2001/02, the Ministry will conduct annual reviews of child protection cases using a child protection case monitoring tool that will be developed and piloted in 2000/01. These reviews will monitor Children's Aid Society compliance with legislative and regulatory requirements, including compliance with case management standards and the Risk Assessment Model for Child Protection in Ontario, which includes the eligibility spectrum.

Societies will be required to submit a plan to the regional offices to address any non-compliance and the Ministry will monitor implementation of this action plan.

PROTECTIVE SERVICES AND PLANS OF SERVICE

When a Society's worker determines that a child is in need of protection but not in immediate danger, protective action must commence within 30 days of the initial referral (60 days in exceptional circumstances) and a plan of service must be prepared and approved by a supervisor within 60 days. The objective of the plan of service is to document the course of action that will reduce or eliminate future abuse or neglect of the child and promote the child's best interests, protection and well-being.

The Ministry does not have a process to monitor compliance with all of these requirements on a regular basis.

When we prepared a summary of the files reviewed by the Ministry as part of its Services and Financial Data Review for children transferred to ongoing protection for the three regional offices we visited, we found that:

- For 16% of the files, it took more than the maximum 30 days for the investigation to be completed. None of these files were considered exceptional circumstances by the Ministry. In approximately half of these cases, the time taken to complete the investigation exceeded 90 days.

3.02

- For 15% of the files, there was no plan of service on file. The Ministry did not ensure that such plans were subsequently prepared.

Consequently, the Ministry had no assurance that all the children who needed protective action received it on a timely basis.

Recommendation

To help ensure that minimum service expectations for all child protection cases are met, the Ministry should monitor the Societies to make sure that:

- **services for children determined to be in need of protection commence within the required 30 days of the initial referral; and**
- **plans of service for these children are prepared and approved by a supervisor within 60 days, as required.**

Ministry Response

In 2000/01, the Ministry will develop and pilot a child protection case monitoring tool for implementation in 2001/02. The Ministry will use this tool to monitor Children's Aid Society compliance with legislative and regulatory requirements, including compliance with required timelines for commencement of child protection services and required timeframes for completion and approvals of plans of service.

Societies will be required to submit a plan to the regional offices to address any non-compliance and the Ministry will monitor implementation of this action plan.

CHILDREN IN RESIDENTIAL CARE

CROWN WARD REVIEWS

A Crown ward is a child who is a permanent ward of the Crown by order of a court. Parental rights and involvement in the upbringing of the child are terminated and are carried out by a Society. At December 31, 1999, there were approximately 5,200 Crown wards in Ontario.

Section 66 of the *Child and Family Services Act* requires the Ministry to annually review the status of every child who is and has been a Crown ward throughout the preceding 24 months. Crown ward reviews examine compliance with regulatory service requirements, such as assessing the suitability of the child's placement and the adequacy of the plan of care as well as the care provided. The results of these reviews are reported to the responsible Society.

Where a Crown ward review finds non-compliance with a regulatory requirement, the Ministry issues a directive to the Society to remedy the non-compliance. The Society must comply with the directive, and confirm with the Ministry that it has done so, within 60 days of the directive's issuance. The Ministry may also issue recommendations for less important clinical issues of case management or for compliance with suggested best practices. Recommendations may become precursors for future directives. However, the Societies are not required to act on the Ministry's recommendations or confirm actions taken.

During 1999, 2,710 Crown wards received the legally required reviews. The results of these reviews are shown in the following table.

Results of Crown Ward Reviews, 1999

	# of Cases
Full compliance	2,092
Directives and/or recommendations issued	575
Some non-compliance but no directives and/or recommendations issued	43
	2,710

Source: Ministry of Community and Social Services

We reviewed a sample of cases for which directives or recommendations were issued and noted the following:

- In approximately 15% of the cases of regulatory non-compliance, the Ministry issued a recommendation instead of the required directive. As a result, the Society was not compelled to remedy the non-compliance and the Ministry was not required to follow up on its concerns.
- For approximately 20% of the files where a directive was issued, we found no evidence that the Society acted on the directive and confirmed its actions to the Ministry within the 60 day requirement.

Recommendation

To help ensure that services provided to Crown wards are appropriate and in compliance with regulatory requirements, the Ministry should:

- **issue directives in all instances where program regulations have not been complied with; and**
- **monitor Children’s Aid Societies to ensure they act on all directives and confirm compliance with the directive to the Ministry within 60 days, as required.**

Ministry Response

The Ministry requires that directives be issued in all instances of Children’s Aid Society non-compliance with program regulations identified in a Crown ward review, except where the issuance of a directive cannot be enforced or may be deemed inappropriate.

The Children’s Aid Society is required to develop and submit a plan to the Ministry to address non-compliance. Ministry regional offices are required to review and sign off on all Society plans and monitor for follow-up action, if necessary.

In an effort to enhance this monitoring process, the Ministry is developing an automated “bring forward” system to promote prompt ministry follow-up of society action on non-compliance within the required 60 days.

NON-CROWN WARD REVIEWS

Approximately 8,100 children were non-Crown wards on December 31, 1999. Although child welfare program requirements apply equally to both Crown wards and non-Crown wards, the *Child and Family Services Act* does not specifically require the Ministry to monitor program delivery for non-Crown wards. As a result, the Ministry historically has not reviewed non-Crown ward files.

However, we noted that the 1997 *Child Welfare Accountability Review* recommended that the best practices and lessons learned from Crown ward reviews should be used as a model for reviewing the progress of all children in care, regardless of their legal status.

Our review of a sample of non-Crown ward files identified a number of program delivery deficiencies that also demonstrated the need for the Ministry to review non-Crown ward files. For example:

- for 30% of the files we reviewed in one regional office, we found no evidence that the protection worker visited the child within seven days of the original placement in a foster home, as required by regulation; and
- for 20% of the files, the required school report was not on file, as required by regulation.

We also noted that an internal ministry review found that approximately 10% of the placements of non-Crown wards were either not appropriate to their care or the placements were not assessed.

The Ministry recognizes the need to review non-Crown ward files. We understand that, at the time of our audit, the Ministry was in the process of piloting a non-Crown ward review process at selected Societies throughout the province.

Recommendation

To help ensure that protective services provided to non-Crown wards are appropriate and in compliance with program requirements, the Ministry should:

- **implement a regular review process for non-Crown ward files; and**
- **ensure instances of non-compliance with program requirements are communicated to the Children’s Aid Society and, where required, acted upon on a timely basis.**

Ministry Response

The Child Welfare Review Unit of the Ministry has a comprehensive information system and review mechanism in place for Crown wards that has recently been expanded to include a sample of other children in Children’s Aid Society care.

3.02

An implementation plan for enhancing case monitoring of non-Crown wards was initiated in October 1999. Based on the findings and further consultation with key stakeholders, the Ministry will conduct annual reviews on a sample of non-Crown wards, effective August 2000. As in the ministry reviews of Crown wards, directives will be issued for non-compliance of program regulations and Children's Aid Societies will be required to respond within 60 days. All Societies' responses will then be reviewed and signed off by the ministry regional offices and monitored for follow-up action, if necessary.

EXTENDED CARE AND MAINTENANCE AGREEMENTS

Crown ward status terminates at the age of 18 years. However, former Crown wards between the ages of 18 and 21 years are eligible for extended care and maintenance, including ongoing financial support (currently \$663 per month), provided they are prepared to enter into a written agreement with their Society to work towards specific goals during that time period. Specific goals typically include such things as going to school, learning a trade or seeking employment.

In December 1999, there were approximately 1,140 extended care and maintenance agreements requiring annual ministry expenditures totalling \$6.9 million. Ministry instructions for the completion of extended care and maintenance agreements provide that the frequency and means of contact between the youth and the youth's case worker may vary significantly depending on the needs and circumstances of the individual youth. For example, according to the Ministry's instructions, a youth needing more support might contract with the worker for contact once per month.

Our review of a number of extended care and maintenance agreements found that a majority of them required a monthly meeting between the youth and the case worker. However, our review also found that the Societies were not adequately monitoring these youths, as required by their agreement, to ensure that the agreed-upon goals were being achieved and the conditions of funding were met. Specifically:

- For about one third of the files we reviewed, we found no evidence that the monthly meeting occurred as required by the agreement.
- For one half of the files we reviewed, we found no documentation on file to demonstrate that the youth's personal goals were being met.

As a result of the above, we question whether the program was adequately monitored to assess whether or not the program's objectives were being met.

Recommendation

To help ensure the successful transition of Crown wards to independent living, the Ministry should ensure that:

- **Children's Aid Societies regularly monitor youths who have extended care and maintenance agreements, as required by their agreements, and assess compliance with their personal goals; and**

- where the requirements of the agreements are not met, corrective action is taken by the Societies on a timely basis.

Ministry Response

The extended care and maintenance agreements must be reviewed and renewed by the Society annually. Children's Aid Societies have the authority to approve extended care and maintenance agreements for a second and third year without ministry approval of the renewed agreement.

The Ministry will develop a plan to monitor adherence to the extended care and maintenance agreements.

3.02

LICENSING OF CHILDREN'S RESIDENCES

Licensing provisions for children's residences are established by legislation and regulation and are intended to ensure that minimum acceptable standards of care are provided to children in residential care. Ministry licensing inspections include the completion of a licensing checklist covering such things as a review of the premises, the services provided and the adequacy of the organization's policies and procedures.

Children's residences and foster care operators must apply for a licence renewal annually, prior to the expiry date of the current licence. Provided that the applicant has completed and submitted an application for renewal, a licence past its due date is deemed to continue until the request for renewal is granted or denied.

Our review of a sample of licensing files noted the following concerns:

- For approximately 80% of the files reviewed, the Ministry conducted the required licence review and issued the renewal licence after the expiry of the previous licence. The average delay between licence expiry and renewal was 63 days, with some as long as 200 days. The reasons for the delays were not documented.
- At one regional office, almost half the files we reviewed lacked the required documentation to support the issuing of the licence.
- For 23% of the files reviewed, the renewal application was either not received at all or was received after the expiry of the previous licence. As a result, these operators were unlicensed for an average of approximately one month and, in one case, 88 days.

Consequently, there was a lack of timely assurance that a number of children's residences continued to provide acceptable standards of care.

Recommendation

To encourage residential care operators to provide minimum acceptable standards of care to children, the Ministry should conduct and document licensing inspections and renew licences on a more timely basis.

Ministry Response

In September 1999, the Ministry introduced automated business tools to enhance local, timely management of licence renewals and to support province-wide monitoring of this activity. Furthermore, in the fall of 1999 the Ministry designated specific staff in its regional offices to supervise and support the licensing function.

In an effort to further enhance the effectiveness of the ministry licensing process, the timing of the licensing of Children's Aid Society foster care will be synchronized to coincide with the review cycle of the ministry Child Welfare Review Unit in 2000/01.

SERIOUS OCCURRENCES

At the time of the audit, the Ministry required all Societies to report incidents such as serious injuries, assaults or other physical abuse of children in care within 24 hours of the occurrence. When such reports are received, regional offices are required to document the particulars in an initial notification report. In addition, the Societies must submit a written follow-up report to the regional office detailing the corrective actions to be taken within five working days of the incident. The Ministry is to review the report and follow up, if necessary.

Our review of a sample of serious occurrence files found that these reporting requirements were often not being followed. For example:

- for almost half of the serious occurrence files we reviewed, we found that an initial notification report had not been prepared;
- for almost three quarters of the written follow-up reports that we reviewed, there was no evidence that ministry staff had reviewed them or evaluated the appropriateness of the corrective actions taken; and
- one regional office could not locate any of the 1998 serious occurrence files for two of its Societies.

As a result, the Ministry could not demonstrate that all serious occurrences had been appropriately dealt with.

Recommendation

To help safeguard children in care and gain assurance that all serious occurrences are appropriately dealt with, the Ministry should take the necessary steps to ensure that:

- **an initial notification report is prepared for every serious occurrence reported; and**
- **written follow-up reports from the Societies are evaluated to determine whether appropriate actions have been taken.**

3.02

Ministry Response

The Ministry is committed to ongoing efforts to guide improvements to the reporting and documentation of all serious occurrences by all service providers, including Children's Aid Societies, and to assist staff in follow-up actions.

The Ministry has recently revised the standards and guidelines for the reporting of all serious occurrences across services, including those provided by the Children's Aid Society. These revised standards and guidelines require that the regional office document the review and follow up with a service provider for each serious occurrence to assess whether that service provider has taken appropriate corrective action.

These revised materials will be forwarded to the regional offices for distribution to service providers by October 2000.

PROGRAM EFFECTIVENESS MEASURES

The systematic collection of case data and determination of outcomes provides a basis for evaluating program effectiveness as well as identifying best practices. However, at the time of our audit, the Ministry was not systematically collecting outcome data and had not assessed outcome measures for the Child Welfare Services program. As a result, the Ministry could not assess the effectiveness of the child welfare system as a whole in such areas as the quality of care provided, the progress of children in care and the rate of recurrence of maltreatment. This was also noted in an October 1999 research study funded by the Ministry.

The Ministry is aware of the need to collect outcome data and to assess outcome measures and, in the fall of 1998, adopted an outcome measurement framework developed by a national working group. The Ministry has selected three of a potential ten outcome indicators (recurrence, placement rates and number of moves in care) for priority pilot testing in 2000/01.

We will follow up on the Ministry's efforts to develop and implement outcome indicators to gain assurance that the child welfare program is operating effectively as soon as practicable.

FINANCIAL ACCOUNTABILITY

FUNDING FRAMEWORK

Prior to the 1998/99 fiscal year, funding to the Societies was primarily based on annual budget requests, which in turn were largely based on historical funding patterns. As noted in our 1997 report on Transfer Payment Agency Accountability and Governance, this funding mechanism did not relate an agency's funding approval to an assessment of the value of the underlying services to be provided.

As a result of such concerns and in order to promote greater funding equity among the 53 Societies, in December 1998, the Ministry announced a new funding framework that would provide a more rational and equitable approach to funding the Societies. This new funding framework is primarily based on an assessment of the type and volume of services provided, and is being phased in over a three-year period. Although the new funding framework will be

fully implemented in 2000/01, ministry policy ensured that funding in 1999/2000 was not less than in the previous year.

Funding under the new framework consists of the following three main components:

- approximately half of a Society's funding is for residential care, which is based on the number of children in residential group home and foster care at per diem rates developed by the Ministry;
- approximately one quarter of a Society's funding is for direct service costs for staff salaries, which are based on caseloads and ministry-determined workload benchmarks and salary ranges; and
- approximately one quarter of a Society's funding is for indirect costs, which are determined as a percentage of the first two funding components.

We consider the Ministry's new funding framework to be a significant improvement over the previous funding mechanism.

While we fully agree with the Ministry's direction in this area, our review of the implementation of the new funding framework for the 1999/2000 fiscal year noted a number of areas that needed to be addressed if the full benefits of the new funding mechanism are to be achieved.

RESIDENTIAL CARE

Group Home Per Diems

The Ministry has established the per diem for all categories of the group home type of residential care at \$142.18 per day, based on the average cost of group care purchased from outside paid institutions as reported in a 1997 survey of all Societies.

However, according to the same survey results, the actual cost of care in group homes operated by the Societies (which often provide homes to the more difficult children) and the cost of special rate agreements for children with special needs were significantly higher, averaging approximately \$190 per day. The actual costs ranged from a low of \$72 per day to a high of \$581 per day.

We also noted that the Ministry did not conduct its own assessment of what reasonable costs should be for each category of residential care. As a result, the Ministry did not know whether the average per diem rate paid as a result of the 1997 survey was reasonable or adequate to provide the required level of care at particular Societies.

Foster Care Per Diems

There are essentially three categories of the foster type of care: regular foster care; specialized foster care for children with developmental, emotional or medical needs; and treatment foster care for children who require behaviour modification treatment and care. Foster care may be purchased or provided in society-operated foster care homes.

The Ministry has established per diems for each category of care as shown in the following table.

3.02

Foster Care Per Diem Rates, by Type

Regular	\$32.20 per day
Specialized	\$49.76 per day
Treatment	\$67.64 per day

Source: Ministry of Community and Social Services

We noted that the regular and specialized foster care rates are based on a review of rates for such care in other jurisdictions and the *Federal Guidelines for Child Support*, while the treatment rate is based on the average cost of purchased treatment foster care reported in the 1997 survey of all Societies.

However, although the Ministry determined through a 1998/99 survey that the average cost of treatment foster care provided in society-operated homes, which generally provide homes to the more difficult children, averaged over \$100 per day, they are nevertheless funded at the rate of \$67.64 per day.

DIRECT SERVICE COSTS

Direct service costs consist primarily of the salary and benefits costs of the front line workers who provide and coordinate both residential and non-residential care and protection of children. Funding for direct service costs was based on the type and volume of direct services provided, as well as workload benchmarks and salary ranges determined under the funding framework.

Our review of this aspect of the funding framework noted the following concerns:

- Workload benchmarks were determined by the Ministry based on a review of similar benchmarks in other jurisdictions as well as focus groups. The Ministry did not conduct its own review and assessment of the underlying work to be performed to determine the reasonableness of these standards.
- Final funding for direct service costs was based on 94% of the maximum salary of the Societies' staff and workers in other sectors performing similar functions. This salary often did not reflect actual salaries paid and was likely not achievable by many Societies in the short term.

Consequently, funding was not reflective of the actual cost incurred and levels of care provided.

INDIRECT SERVICE COSTS

The Ministry's funding framework provides for different types of indirect costs as a percentage of total costs net of revenues raised, as shown in the following table.

Indirect Service Costs by Type as a Percentage of Total Costs

Central Administration <ul style="list-style-type: none">includes such items as human resources, legal services, information systems and property maintenance	11.0%
Program Administration <ul style="list-style-type: none">includes all other types of administrative costs directly attributable to a program	5.1%
Support Services <ul style="list-style-type: none">includes professional fees, children's personal needs and health related expenses	7.9%

Source: Ministry of Community and Social Services

The central administration funding benchmark was based on the average actual central administration costs relative to net direct service expenditures of all Societies as determined in the Ministry's 1997 survey. The benchmark is also consistent with the Ministry's current policy to limit central administration costs for all types of transfer payment agencies to 11% for the 1999/2000 fiscal year.

However, staff at the regional offices and the Societies that we visited expressed concern with how central administration funding was determined. Primarily, they felt that higher direct service cost agencies, which often utilize more expensive forms of residential care, did not necessarily incur higher central administration costs yet received increased funding nonetheless. In addition, larger and consequently higher-cost Societies could be expected to realize some economies of scale. These concerns bring into question the merits of funding indirect costs for all Societies at the same fixed percentage of net total costs.

In that regard, we noted that:

- central administration costs for the agencies we reviewed ranged from 4.6% to 13% of their net direct service costs; and
- program administration costs ranged from 6% to 13.1% of their net direct service costs.

As a result, funding for indirect service costs was not reflective of the actual costs incurred by the Societies.

REVENUE BENCHMARKS

The Societies are expected to raise 6.7% of their annual gross expenditures themselves. These revenues normally include such items as parental contributions, tax rebates, charitable donations and any interest earned.

Although we were advised that the 6.7% revenue benchmark was based on a review of actual receipts by the Societies and their potential for increased revenues, most of the Societies we reviewed could not meet that goal. In fact, while actual revenues for all Societies averaged approximately 4.8%, some were as low as 3%.

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Recommendation

To ensure that funding provided to Societies under the new funding framework is appropriate for them to deliver the required services, the Ministry should ensure that:

- residential care per diems are based on an assessment of what reasonable costs should be for each type and category of care;
- direct service cost funding is based on a ministry review and assessment of the underlying work to be performed;
- funding for indirect service costs is reasonable and appropriate for each Society; and
- revenue benchmarks are reasonable and attainable.

Ministry Response

The Ministry is currently conducting an independent review of the child welfare funding framework benchmarks/design elements for:

- *group care;*
- *indirect service costs, including legal services, travel costs and other program support costs; and*
- *revenue.*

This review is to identify options and recommendations that reflect careful analysis of financial, service management and service delivery implications, and Children's Aid Society policy/best practice considerations. This review will be completed in September 2000.

In addition, the Ministry will conduct a comprehensive review of the child welfare funding framework model design and accompanying benchmarks in three-year cycles, commencing in 2001/02. Adjustments to the framework will be considered, where necessary, upon completion of each review cycle.

SERVICE AND FINANCIAL DATA REVIEW

Since the Ministry's new funding framework for the Societies is primarily based on caseload data, it is essential that caseload data reported by the Societies are complete and accurate to ensure the integrity of the funding process.

As a result, during the summer of 1999, the Ministry conducted an extensive one-time review of caseload data at all 53 Societies. The objectives of this review were to determine whether reported caseload data used for the 1999/2000 fiscal year funding allocations for each Society were complete and accurate and, where necessary, provide recommendations for improvements.

The review noted that two thirds of all Societies had unreliable non-residential caseload data. The Ministry estimated that for Societies that had the most unreliable data, non-residential caseloads were over-reported by an average of 9%. This resulted in excess ministry funding of

approximately \$6.7 million for these Societies alone. For example, many Societies reported cases as requiring ongoing protection when in fact they should have been closed.

At the time of our audit in February 2000, the Ministry had established a pilot review process for the Societies. However, the necessary policies and procedures for such reviews by the regional offices, such as their frequency and sample size determinations, had not yet been finalized.

Recommendation

In order to maintain the integrity of the Ministry's new funding framework, which is primarily based on caseload volume data, the Ministry should:

- **establish ongoing requirements for and conduct regular Children's Aid Society caseload data reviews; and**
- **adopt appropriate policies and procedures for such reviews.**

Ministry Response

The child welfare funding framework relies on the provision of accurate and reliable service and financial information by Children's Aid Societies to determine system resource requirements and individual society funding allocations.

Building on the results of the 1999 Service and Financial Data Review process, the Ministry has developed a draft monitoring and control protocol for regional office staff to assess the integrity and reliability of Children's Aid Society service and financial data in relation to the funding framework.

This monitoring protocol includes: increased regional office visits to Children's Aid Societies and random case file reviews; detailed reviews of agency quarterly reporting data to ensure that it provides a sound basis upon which to determine funding allocations; and enhanced in-year service volume and expenditure forecasts. This monitoring protocol will be finalized for ongoing implementation in 2000/01.

Regional offices completed reviews in November 1999 and February 2000.

QUARTERLY REPORTING

The Societies are required to submit quarterly reports comparing actual to budgeted expenditure and caseload data. The first three quarterly reports are due 30 days after the end of the quarter and the fourth quarter report is due 45 days after the year-end. As part of the reporting process, the Societies are required to identify and explain any significant variances and provide an appropriate action plan. Timely receipt and analysis of the quarterly report are particularly important now that the Societies' funding is based on actual caseload data.

Our review of quarterly reports at the three regional offices we visited identified a number of concerns as follows:

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- Three quarters of the quarterly reports we reviewed were received after their due dates. In addition, many of the reports lacked the required explanations of significant variances and action plans, which limited their usefulness to the Ministry.
- Variance analysis included in the quarterly reports generally lacked sufficient detail to permit their effective review and analysis. For example, expenditure and caseload volume data were not presented for each category of care within a specific type of care.
- We found no evidence on file that ministry staff analyzed and followed up on significant variances identified.

As a result, we found evidence that significant in-year variances were not identified, analyzed and followed up for corrective action by the Ministry on a timely basis.

Recommendation

In order to ensure the timely identification, analysis and follow-up of significant in-year variances in expenditure and caseload data, the Ministry should:

- **obtain the required quarterly report variance analysis on a timely basis and in sufficient detail, including the necessary explanations and corrective actions; and**
- **clearly document its process for reviewing variances and, if necessary, approving the appropriate corrective actions.**

Ministry Response

The Ministry agrees that Children's Aid Society quarterly reports must be timely and provide sufficient detail to explain and address in-year variances.

Subsequent to the periods reviewed by the Provincial Auditor, the Ministry enhanced the quarterly report format to capture more detailed service and financial data from the Societies. This new report format includes variance analysis on all expenditures by ministry project codes. The Ministry continues to refine this new quarterly reporting process based on ministry and Children's Aid Society feedback and experience.

The new quarterly review process also now provides 20 days for regional office analysis, and consultation with the Societies prior to uploading of the reports to the ministry Service Management Information System.

ANNUAL PROGRAM EXPENDITURE RECONCILIATION

The purpose of the Annual Program Expenditure Reconciliation (APER) is to reconcile a Society's eligible expenditures with the funding provided by the Ministry in order to identify any surpluses or ineligible expenditures. APERs must be received together with an audited financial statement no later than four months after each fiscal year. The Ministry is to review and approve the APER within 12 months of the end of the fiscal year to which it relates and is to recover any surplus funding within 24 months.

We reviewed a sample of APERs for the 1997/98 and 1998/99 fiscal years and concluded that the reconciliation process was ineffective for the reasons noted below:

- Approximately 75% of the APERs we reviewed were received after their due dates. On average, these APERs were received six months late and, in one case, a required APER for 1997 was not received at all.
- For approximately 40% of the APERs we reviewed, we found that the accompanying audited financial statement lacked sufficient detail to identify ineligible expenditures or determine the accuracy of the reported surplus or deficit.
- The Ministry often did not review and approve APERs on a timely basis. Many were reviewed about 20 months after the end of the fiscal year, while one was not reviewed at all.

We also noted that, at the time of our audit, the Ministry had not developed a reconciliation format to be used with the new funding framework, which is to be fully implemented in the 2000/01 fiscal year.

Recommendation

To ensure that it identifies and recovers ineligible expenditures and surplus funding, if any, the Ministry should:

- **receive, review and approve all Annual Program Expenditure Reconciliations on a timely basis; and**
- **ensure that Annual Program Expenditure Reconciliations and accompanying audited financial statements contain sufficiently detailed and comparable information to identify ineligible expenditures or surplus funding.**

Ministry Response

For the 1999/2000 fiscal year, the Ministry replaced the use of the Annual Program Expenditure Reconciliation (APER) form for the Child Welfare Program with a new report format that provides significant details to identify eligible expenditures and surplus funding at Children's Aid Societies.

In order to improve the effectiveness of the year-end reconciliation process, the Ministry developed an APER—Best Practices Tool-kit to assist regional offices with the timely completion and review of these reports. This process will expedite the year-end reconciliation to allow the Ministry to recover surpluses on a more timely basis.

A policy regarding mandatory reporting requirements and sanctions for agency non-compliance was provided to ministry regional offices in October 1999 and outlines an incremental four-step process to acquire overdue information from agencies, including Children's Aid Societies. In addition, the Ministry monitors all year-end reconciliation reports, including Child Welfare, through its Management Support Branch.

OTHER MATTER

INFORMATION SYSTEMS

At the time of our audit, the Ministry did not have a province-wide information system in place that could facilitate the collection of data for use in tracking and assessing child welfare services. However, recognizing the need for a comprehensive information system, in 1997, the Ministry commenced the child welfare information system project, which consisted of two distinct components:

- The Fast Track Information System that enables all Societies to track high-risk families and alert other Societies to a family's previous involvement with other child welfare authorities. Development of the system has been completed and it was fully implemented by all Societies by March 2000.
- A comprehensive information system that will collect and summarize a wide range of data from all Societies. This system is intended to assist in case management and monitoring, and the reporting of aggregate information for management purposes. We were informed that the development of this component is approximately three to four years behind the original expected completion date of March 2001.

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Recommendation

In order to facilitate the collection and analysis of performance data necessary to effectively administer the Child Welfare Services program, the Ministry should expedite the development of its proposed management information system.

Ministry Response

The Fast Track Information System is now in place in all Children's Aid Societies. This is the first phase of a two-phase plan to implement a Comprehensive Child Welfare Information System.

The Ministry is currently in the process of determining its next steps in the development of a comprehensive Child Welfare Information System.