

Chapter 3

Section 3.11

Ontario Trillium Foundation

Background

The Ontario Trillium Foundation (Foundation) was established in 1982 as an agency of the Ontario government. Its mission is to build “healthy and vibrant communities throughout Ontario by strengthening the capacity of the voluntary sector, through investments in community-based initiatives.”

It does this by distributing grants—about 1,500 of them, worth more than \$110 million, in the 2010/11 fiscal year—to not-for-profit and charitable organizations working in the areas of human and social services, arts and culture, environment, and sports and recreation. Most of the grant money goes to pay the salaries and wages of people working in these organizations.

The Foundation operates under the terms of a memorandum of understanding (MOU) with the Ministry of Tourism and Culture (Ministry) that is updated every five years, most recently in 2009. The MOU defines the Foundation’s mandate and relationship with the Ministry regarding operations, accountability, finances, administration, and reporting.

The agency has a volunteer board of directors and approximately 120 full-time staff located at its Toronto head office and in 16 regional offices across the province. In addition, more than 300

volunteers may be named to grant-review teams across the province—there are 18 to 24 volunteers on each team—to vote on which projects or organizations should be funded. At the time of our audit, 38% of grant-review team positions were vacant. The volunteer members of the board and of the review teams are appointed by the Lieutenant Governor-in-Council on the recommendation of the Minister of Tourism and Culture.

From 1982 to 1999, the Foundation operated on approximately \$16 million a year in Ministry funding drawn from provincial lottery revenues, and provided assistance only to groups involved in human and social services. In 1999, the Foundation’s mandate was significantly expanded to include groups working in arts and culture, the environment, and sports and recreation. At that time, Foundation funding also increased to approximately \$100 million a year, drawn largely from charity-casino revenues. Since 2007, funding has come from general provincial revenues.

In the 2010/11 fiscal year, the Foundation received total funding of about \$124 million. About \$111 million was paid out in grants to charitable and not-for-profit organizations, and the remainder covered program administration. The same year, the Ministry also committed an additional \$50 million for a two-year capital-funding program with a focus on organizations serving culturally diverse

communities. Approximately \$3.5 million in grants had been approved under this new program by the end of the last fiscal year.

Audit Objective and Scope

The objective of our audit was to assess whether adequate policies and procedures were in place at the Ontario Trillium Foundation (Foundation) to ensure that:

- approved grants were consistent with the Foundation’s mandate, in amounts that were commensurate with the value of the goods and services provided by the grant recipients, and that they were spent for their intended purpose; and
- costs were incurred and managed with due regard for economy and efficiency, and the effectiveness of the Foundation was appropriately evaluated and reported on.

Prior to our fieldwork, we identified criteria to be used to address our audit objectives. Senior management at the Foundation reviewed and agreed to these criteria.

Our audit included a review of the Foundation’s administrative and operational policies and procedures. We also talked to selected staff members at eight locations—head office and seven regional offices in Toronto, Waterloo, Barrie, Kingston, Peterborough, Sudbury, and North Bay—and interviewed the chair of the board of directors. We reviewed and assessed pertinent grant, financial, and operational information, along with a sample of individual grant files. We visited 29 organizations that received grants from the seven regional offices we visited.

The Internal Audit Division of the Ministry of Tourism and Culture had not conducted any recent audits of the Foundation’s operations. We did review reports from an individual contracted by the Foundation to conduct individual grant reviews. However, these reviews did not relate to our audit

criteria so we were unable to reduce the extent of our audit work as a result.

Summary

A primary responsibility of the Ontario Trillium Foundation (Foundation) is to ensure it gives out its annual allocation of more than \$100 million each year to community not-for-profit and charitable organizations. A wide range of projects can be funded, as long as they support the local community and relate to social services, arts and culture, the environment, and sports and recreation activities. For instance, grants can range from funding a light conservation project to reduce light pollution in the Bruce Peninsula, to supporting carbon-neutral farming, to developing employment skills for low-income newcomers, to strengthening the leadership skills of First Nations women. With respect to the question of value for money received for each grant, we acknowledge that this may well be in the “eye of the beholder” and that it is within this context that the Foundation operates.

We found that the Foundation does ensure that all grants have a community-based focus. And while it has a well-defined grant application and review process for deciding which applicants receive grants, we noted that the underlying process and resulting documentation often did not demonstrate that the most worthy projects were funded in reasonable amounts because there was little evidence that the Foundation:

- objectively compared the relative merits of different proposals to ensure the most worthy projects were supported;
- adequately assessed the reasonableness of the grant amounts requested and approved; and
- effectively monitored and assessed spending by recipients or the results they reported.

In addition, many of the grant recipients we visited could not substantiate the expenditure and

performance information they reported to the Foundation.

While its website is comprehensive and informative, we believe the Foundation could do more to inform all community organizations of the availability of grants and the application process. It could, for example, consider advertising periodically in local and ethnic-community newspapers.

Although the Foundation's administrative expenditures were relatively modest compared to most other government agencies that we have audited, it nevertheless needs to tighten up its administrative procedures to ensure it complies with the government's procurement and employee-expense guidelines.

OVERALL FOUNDATION RESPONSE

The Ontario Trillium Foundation (Foundation) appreciates the Auditor General's recommendations. We acknowledge too the observations that the Foundation has a well-defined grant application and review process, and that there is an institutional mindset that places emphasis on keeping costs to a minimum.

With 16 regional offices and approximately 1,500 grants each year to not-for-profit organizations across Ontario, the Foundation is committed to building healthy and vibrant communities by serving the voluntary sector in all its diversity: large organizations and small, urban and rural communities, in every region of the province. The Foundation's grantee organizations are all volunteer-led—and in many cases entirely volunteer-run—building communities with enthusiasm and often with very limited resources.

Up to 300 community volunteers can be engaged in the Foundation's grant-making decisions, bringing their community experience to supplement the research and analysis of the professional staff. Effective community-building may not always fit a template, especially given the limited staff and resources of many small

community organizations. Nonetheless, we appreciate the Auditor General's recommendations for stronger documentation, robust performance measures, and enhanced monitoring.

The Foundation has introduced a new online grants-management system, developed and tested in the 2008/09 fiscal year, and fully implemented in March 2010. We are confident that the built-in controls are addressing many of the Auditor General's recommendations relating to the grant review and approval process and standardized documentation.

The Foundation is committed to further enhancing its impact across the province, and welcomes the recommendations of the Auditor General to assist in its continuous improvement.

Detailed Audit Observations

GRANT PROGRAM OVERVIEW

The Ontario Trillium Foundation (Foundation), as outlined in the memorandum of understanding with the Ministry of Tourism and Culture (Ministry), has a mandate to “provide funds in a fair and cost-efficient manner with community involvement in decision-making, and by way of supplementing rather than replacing regular sources of income, to eligible charitable and not-for-profit organizations in Ontario [...] to help finance through time-limited, results-oriented grants, programs undertaken by such organizations; and to help finance initiatives that increase organizational and/or community capacity and self-reliance.”

The kinds of groups and projects that have received funding include small theatre companies, rural development initiatives, urban school food projects, multicultural festivals, cultural counselling and support organizations, amateur sports and recreational associations, and local environmental initiatives.

The Foundation has three funding programs, as follows:

- The Community program, which receives approximately \$83 million, or 77% of available grant money, covers activities in Ontario's 16 individual regions. Organizations can get up to \$375,000 over five years under this program, including \$75,000 per year for operating expenses and a total of \$150,000 for capital items such as building renovations or equipment purchases. Over the last four years, the Foundation provided approximately 1,360 such grants each year with an average value of about \$60,000 each.
- The Province-wide program, which receives approximately \$21 million, or 19% of the available grant money, covers either activities with a province-wide impact or those taking place in at least three regions (two in the north). Organizations may receive up to \$1.25 million over five years, including up to \$250,000 per year for operating expenses and a total of \$150,000 for capital items. Over the last four years, the Foundation awarded about 110 such grants each year with an average value of about \$180,000 each.
- The Future Fund, which receives approximately \$4 million, or 4% of the available grant money, covers projects that create significant and sustainable change in a specific area using distinct and innovative approaches. The focus for the 2010/11 fiscal year, for example, was on creating economic opportunities for youth and building skills for the green economy. About 10 such projects are funded each year with an average value of \$400,000 each.

The Foundation's goal is to dispense the entire annual grant funding that it receives from the government. It allocates funds for the Community program to its 16 regions on a per-capita basis. In the 2010/11 fiscal year, per-capita funding, based on census information, was approximately \$6.64. As the different regions had varying population

levels, total annual funding to each ranged from a low of \$1.4 million to a high of \$16.6 million.

We found that total funding requests relative to the amount of funding provided varied significantly, both within and between regions. Approval rates for community grants ranged from a low of 23% of funds requested in all applications in one region to a high of 58% in another during the 2009/10 fiscal year, as illustrated in Figure 1.

Allocation of funding to the regions on a per-capita basis facilitates equitable access to grant funds throughout Ontario, but it is not intended to ensure that the most worthy projects across the province are actually funded, as outlined in the section on the grant review and approval process.

GRANT PROMOTION

The Foundation has three main ways of promoting the availability of grants to the public:

- *Website and social media:* The Foundation maintains a comprehensive and informative website that outlines, among other things, its mission, its granting programs, and how a group can apply for funding. Social media approaches—including Twitter, Facebook, and blogs—were introduced in 2011.
- *Media and announcements:* The Foundation participates in more than 700 ceremonies held by grant recipients each year; these events generate more than 4,500 articles each year in print and broadcast media.
- *Solicitation and word of mouth:* Foundation staff proactively seek out and communicate with organizations about potential projects that they think could meet the criteria for grant funding. In addition, board and grant-review team volunteers spread the word in communities and among community organizations.

However, the Foundation, which is required to “provide funds in a fair...manner,” does not publicly advertise the availability of grants in any formal way; it buys no ads, for example, in print or

Figure 1: Approval and Grant Allocation Rates for Trillium Community Program Grants by Region, 2007/08–2009/10

Source of data: Ontario Trillium Foundation

Region/Catchment	Approval Rate (% of Approved Grant Funding Compared to Total Funds)			Three-year Average (\$ million)
	2007/08	2008/09	2009/10	
Algoma, Cochrane, Manitoulin, Sudbury	35	40	34	3.22
Champlain	30	33	29	7.00
Durham, Haliburton, Kawartha, Pine Ridge	59	44	45	6.15
Essex, Kent, Lambton	33	33	34	4.35
Grand River	38	36	33	1.91
Grey, Bruce, Huron, Perth	66	49	40	2.42
Halton-Peel	43	46	34	9.11
Hamilton	33	25	27	2.98
Muskoka, Nipissing, Parry Sound, Timiskaming	50	58	33	1.18
Niagara	45	43	38	3.15
Northwestern	32	28	58	1.95
Quinte, Kingston, Rideau	46	42	35	3.81
Simcoe-York	41	39	34	8.10
Thames-Valley	36	32	23	4.15
Toronto	30	31	28	15.06
Waterloo, Wellington, Dufferin	37	31	35	4.77

broadcast media. As a result, there is little assurance that all eligible organizations even know that there is an Ontario Trillium Foundation and that grant money may be available to them. Unless someone in an organization discovers the availability of grants and then visits the website, that organization misses out on an opportunity.

We found evidence that other granting bodies use print or broadcast media to publicize the availability of grants. For example, grants available under the New Horizons for Seniors Program of Human Resources and Skills Development Canada are advertised in 50 newspapers across the province. In addition, York Region advertised funding available through the New Agency Development Fund in local print media in spring 2011.

The solicitation of applications by staff and the Foundation's volunteers, including grant-review team members, also raises the issue of potential conflict of interest as the same people who invite certain groups to apply for grants, or who tell them

about the program, later review those applications and determine who gets funding.

We noted, for example, that two board members also own consulting businesses that provide service to the not-for-profit sector. We examined one of the businesses and found that of the 11 projects listed on its website, six had received Foundation grants during the time the owner was on the Foundation board. One of the grants included money for consulting services bought from the board member's business. Although we understand that the consultant's business got the contract only after a formal bidding process, arrangements of this nature run the risk of being viewed as a conflict of interest.

RECOMMENDATION 1

To ensure that all qualified organizations get a fair chance to learn about and apply for its grants, the Ontario Trillium Foundation should:

- publicly advertise information about its grants, application deadlines, and its website; and
- investigate ways to reduce or eliminate perceived or real conflicts of interest by ensuring that the people who encourage organizations to apply for grants are not the ones who subsequently help select which applications will be funded.

FOUNDATION RESPONSE

The Foundation recognizes the value of continually enhancing the level of awareness of its programs. We have received more than 16,000 grant applications in the past five years, and annually receive \$3 to \$4 in requests for every \$1 available. Building upon our comprehensive website and cost-efficient media strategy, the Foundation will investigate and institute new forms of generating publicity about its grant programs.

While the Foundation's conflict-of-interest policies have served it well in the past 29 years, we agree with the Auditor General's recommendation that there is a need for continued enhancements, and we will investigate ways to further reduce or eliminate perceived or real conflicts of interest.

GRANT REVIEW AND APPROVAL PROCESS

The Foundation puts grant applications for all three funding programs through a standard review process as follows:

- *Technical review:* Applications are initially screened to ensure that they are complete and that applicants meet basic eligibility criteria, such as being either a not-for-profit or a charitable organization with a board of directors. Proposed projects must include, among other requirements, an operating budget.

Incomplete applications, and those deemed ineligible, are rejected in this phase.

- *First review:* Foundation staff apply a 15-question test to applications, rating them on points for each question. Totals are then to be used to rank projects.
- *Triage meeting:* Regional staff and grant-review team members meet to vote on which applications to reject. The remaining ones move forward.
- *Additional research and analysis:* Projects are further scrutinized by staff, who are supposed to conduct site visits for community projects seeking more than \$100,000 and for province-wide projects asking for more than \$500,000.
- *Proposal Assessment Summary Sheet (PASS):* Information collected during the research phase is consolidated into the PASS, which also recommends whether the application should be approved or declined.
- *Final meeting:* The grant-review team meets to recommend approval or rejection. If it opts to approve, the team also recommends how much funding the project should get.
- *Final approval:* The Foundation's CEO or its Board approve or reject the proposal. We understand that projects making it all the way to this stage are rarely rejected.

Given the Foundation's broad mandate, and the fact that it solicits many of the project proposals it receives, it is unusual for an application to be rejected for falling outside the Foundation's mandate.

With respect to the phases of the application review process, we found the following:

- The technical review is an objective process that usually weeds out those applications that are ineligible or missing information.
- Although regional offices are required to complete the 15-question first review for each application that passed the technical review, we found that many of the case files we reviewed contained no evidence that this had been done. Even when the 15-question

test was on file, it was improperly completed in half the cases we reviewed.

- Five of the eight offices we visited did not use the total score from the first review to rank projects, as intended by the procedure. The three others generally used the process in the way that we would expect, but there were instances where, without explanation, lower-ranked projects advanced while higher-ranked ones did not.
- Work conducted on applications following the first-review and triage-meeting phases, and the quality of documentation, varied significantly and in our view was often inadequate. In addition, we found in a sample of files that site visits, required for projects of a certain size, were either poorly documented or not done at all.
- Regardless of whether the PASS document supports funding, it does not provide a viable basis for comparing one project to another. As a result, there was no comparative documentation to indicate why some projects were recommended for funding and others were not. This meant that there was a lack of documentation to demonstrate that the relative merits of proposals had been objectively compared.
- At the final grant-review team meetings that we attended, there was little discussion and debate, and all of the recommended projects presented were approved.

RECOMMENDATION 2

To help ensure that grant decisions are objective and supportable, the Ontario Trillium Foundation should:

- make sure each of its regional offices completes the 15-point questionnaire and uses it to assess and prioritize grant applications;
- develop consistent guidelines, policies, and procedures for staff and grant-review teams to follow when assessing grant applications, and make sure any required site visits are conducted; and

- maintain documentation that provides a basis for comparing one project to another to clearly demonstrate why some projects were funded and others not.

FOUNDATION RESPONSE

The Foundation agrees with the Auditor General regarding the value of greater consistency of grant-making procedures and better documentation. This is particularly relevant in the context of our regional structure. This need was one of the driving factors behind the development and implementation of our new on-line grants-management system, developed and tested in the 2008/09 fiscal year, and fully implemented in March 2010.

The new system is enforcing the standardization of consistent procedures and documentation, and we will continue to actively monitor the success of this objective. We acknowledge the recommendation to better document the comparability of projects and we will work to review methods of doing this effectively.

REASONABLENESS OF AMOUNTS APPROVED

As the biggest component of many projects funded by the Foundation is salaries and fees, it is important to assess the reasonableness of these proposed costs in applications. Our review of a sample of files for approved grants found that they often did not contain the information from applicants needed to assess this. Accordingly, we questioned how the Foundation was able to adequately assess the reasonableness of the grant amounts requested. Based on the available information, we were often unable to determine for ourselves whether the grant amounts were commensurate with the services to be provided because we could not assess either the reasonableness of the specific services or deliverables the organizations proposed to provide, or the work required to meet the objectives.

Examples of projects where the reasonableness of funding amounts was not established include:

- a grant of \$120,000 to a community organization with one staff member over a two-year period to develop a strategic plan for itself;
- \$400,000 over 36 months to an organization to enable Ontario sports leaders and organizations to collaborate, innovate, and better contribute to social and economic development in their communities;
- a grant of \$132,000 to an organization to deliver a training program on self-employment to newcomers to Canada;
- \$222,000 over three years for hiring at-risk individuals and starting up a community garden program;
- \$537,000 over three years to provide leadership programs to women in First Nations communities; and
- \$35,900 for a year to increase citizen awareness and reduce light pollution in the Bruce Peninsula.

The Foundation also requires that grant recipients obtain two quotes when buying items costing more than \$1,000 (increased to \$5,000 in March 2010). However, we found a number of cases where there was no evidence the grant recipients actually obtained the required competitive quotes. Some examples were:

- a multicultural cinema club given \$40,000 for camera equipment;
- a soccer club awarded \$34,000 for a new computer system; and
- an environmental group funded for a \$125,000 renovation.

RECOMMENDATION 3

To help ensure that grant amounts are reasonable and commensurate with the value of goods and services to be received, the Ontario Trillium Foundation should:

- assess and adequately document the reasonableness of the specific services or deliv-

erables organizations say they will provide with the money they are requesting; and

- objectively assess the required work effort or other resources needed to meet the stated objectives of the grant application.

FOUNDATION RESPONSE

The Foundation agrees with the Auditor General that the assessment of the reasonableness of grant amounts approved is an essential component of effective grant-making. With most organizations in Ontario's not-for-profit sector, there is a commendable culture of cost containment, thanks in large part to committed donors and volunteers in the sector.

Grant-making decisions at the Foundation involve detailed discussions at various points in the multi-stage review and approval process. We agree that the assessment of reasonableness of costs needs to be better documented, so as to more clearly demonstrate the analysis done. The new on-line grants-management system, developed and tested in the 2008/09 fiscal year, and fully implemented in March 2010, provides an excellent platform for enhanced documentation.

GRANT MONITORING

Grant recipients are required to submit annual progress reports for the duration of the grant term and a final report within two months following project completion. These reports must include information comparing budget allocations to actual expenditures, as well as what was accomplished with the money they received.

We found the process to be inadequate for ensuring that money was spent for the intended purposes. In particular:

- Although groups are required to report back in summary form to the Foundation on spending, our review of a number of these

found that there was insufficient detail to assess the reasonableness of amounts spent or whether organizations were simply reporting the original budgeted amounts as the actual expenditures, without showing what actual expenditures were.

- While grant recipients are expected to retain receipts and invoices for audit purposes, they are not required to submit them to the Foundation to substantiate the expenditures. We noted the Foundation rarely requests these documents to spot-check that the reported expenditures were actually incurred as reported by the recipient.
- Grant recipients are not required to submit documentation to substantiate the performance information that they provide in the progress reports and the final reports.
- In the sample we reviewed, there was often inadequate evidence that Foundation staff questioned the progress and final reports submitted by grant recipients.
- Reports were often late—one-third of the progress reports in our sample were late by an average of four months and one-quarter of final reports were late by an average of seven months.
- The Foundation requires no site visits by staff, even on a sample or risk-assessment basis, to assess what has been accomplished with Foundation funds, and site visits are rarely done.
- The Foundation hires an outside contractor to review about 1% of completed grants and grant recipients each year. We found that these reviews are limited in scope because they focus on evaluating support for expenditures and do not include results achieved. In addition, the contractor makes no site visits and simply has supporting information sent to the office.

Our site visits to a number of grant recipients found a number of instances where spending of grants was not adequately documented; where the amounts spent appeared excessive and were not

supported by documentation; and where grant money was used for purposes other than those approved. For example:

- More than half of the organizations that we visited did not have sufficient receipts available to support the amounts they said they had spent.
- In almost all cases the organizations could not provide evidence of the hours worked or what actual work was undertaken by people in the funded positions.
- A grant of \$73,000 was provided to an organization for air quality tests, including \$31,600 for salary costs and \$23,000 for equipment. We found little evidence of any work done—except a recording of eight hours of visits to two schools over the course of a year. In addition, the air-testing equipment purchased with the grant could not be located during our visit.
- Funds were provided to an organization to renovate a soup kitchen, including \$26,000 for landscaping and \$12,000 for steam-cleaning equipment. We found only \$2,600 was spent on landscaping, and the steam-cleaning equipment was never purchased. Instead, the funds were spent on other renovations that were not approved.
- A non-profit housing corporation received \$48,000 to help integrate youth from its community into the wider population. However, the grant predominantly supported a range of recreational activities, including makeup lessons, and outings involving skiing, laser tag, and minigolf.
- An organization received \$5,000 to purchase transmitting equipment for a radio station but we could not locate the equipment during our visit, and the organization could not provide an invoice or other receipt to show it had ever been purchased.
- Two organizations we visited had not spent all the grant funds they received, even though they said they had on their final reports. One of these organizations returned \$6,600 from

a \$75,000 grant more than a year after its final report was submitted while another kept the unspent \$10,000 from an \$81,000 grant because it was reported as spent.

RECOMMENDATION 4

The Ontario Trillium Foundation should strengthen its monitoring efforts to help ensure that funds are used for their intended purpose, and that reported purchases were actually made, by:

- implementing periodic quality assurance reviews of grant files to ensure compliance with internal policies and requirements, and assessing the appropriateness of decisions made by granting staff;
- expanding on the process undertaken by the contracted individual to include more thorough reviews of granting information;
- requiring organizations to submit sufficiently detailed information to enable the Foundation to assess the reasonableness of the amounts spent;
- conducting more audits of progress and final reports submitted by grant recipients; and
- conducting site visits, where applicable, to see how grant money was spent.

FOUNDATION RESPONSE

The monitoring of grants in a cost-efficient way is a challenge that all grant-makers face. The Foundation has always worked to achieve an optimal balance between maintaining cost-efficiency, while auditing and verifying a sample number of grant records each year.

The Auditor General is recommending that additional resources be used to implement quality assurance reviews, expand internal audit functions, request and review more grantee documentation, and conduct more site visits. The Foundation acknowledges and respects these recommendations, and will investigate cost-efficient ways of expanding these procedures.

PERFORMANCE MEASURES

The Foundation has outlined for itself a set of performance measures intended to report on its performance as a granting organization and to determine whether grants met the intended outcomes.

The performance evaluation measures include:

- allocating a specific percentage of funds to each granting priority and sector (for example, human and social services is designated at 30% to 50%, arts and culture at 20% to 50%, and sports and recreation at 20% to 50%);
- a goal of dispensing 100% of a year's ministry-approved grant budget to recipients by the end of the fiscal year;
- a goal of an average turnaround time for grant decisions of 120 days; and
- maintenance of the Foundation's "high ranking" in terms of cost-effectiveness of average administration expenses for each grant.

These criteria, intended to measure the Foundation's own performance, provide information that may be of interest to the Foundation and the public. However, they are not useful for actually assessing the Foundation's success in meeting its objective to fund worthy projects in the right amounts, or for identifying areas in its operations that need improvement. Two of the measures—allocation of funds and cost-effectiveness—are too broadly defined to yield meaningful assessments.

The performance measures aimed at determining whether grants meet intended outcomes include:

- the percentage of grant recipients that meet "all or some" of their program targets;
- the value of additional leveraged contributions for every dollar granted, with a goal of generating an additional \$1.50 to \$2 from the recipient for every \$1 of grants; and
- the percentage of grant recipients that provide recognition to the Foundation, with a goal of 90%.

The first two of these could be reasonable measures of performance. However, the evaluation of

these measures is based on unverified information reported by grant recipients themselves. The value of additional leveraged contributions, for example, is based on estimates of such factors as volunteer hours reported by recipients in their final reports. In many of our visits to recipients, we could find little evidence to support the information reported to the Foundation.

RECOMMENDATION 5

To help assess whether the Ontario Trillium Foundation (Foundation) is meeting its stated objectives, and to help identify in a timely manner those areas needing improvements, the Foundation should:

- establish meaningful operational indicators and realistic targets, and measure and publicly report on its success in meeting such targets; and
- substantiate, at least on a sample basis, the information obtained from grant recipients that is used to evaluate success in meeting targets.

FOUNDATION RESPONSE

The Foundation agrees with the Auditor General about the value of meaningful operational indicators and targets. Within the context of our multi-sector, highly diversified community and province-wide grant-making, we will continue to investigate and develop stronger operational indicators. This is a challenge that faces most grant-making foundations around the world, and the Foundation is committed to setting and maintaining high standards in this area.

We agree with the Auditor General's recommendation that we substantiate, at least on a sample basis, the indicators of success that are communicated by our grantee organizations.

GOODS AND SERVICES PROCUREMENT

The Foundation's administrative expenditures total approximately \$13 million a year, of which \$9 million is for employee wages and benefits and \$4 million for the acquisition of goods and services. We noted an institutional mindset that placed emphasis on keeping costs to a minimum.

However, the Foundation is required to follow government procurement policies, which for consulting services require:

- three competitive proposals for services up to \$100,000; and
- an open competition for bids through Ontario's electronic tendering system for services over \$100,000.

For the acquisition of all other goods and services, the policy requires:

- three verbal quotes for anything valued between \$5,000 and \$25,000;
- three written quotes for anything valued between \$25,000 and \$100,000; and
- an open competition for bids through Ontario's electronic tendering system for anything over \$100,000.

We reviewed a sample of both types of contracts and found that half were single sourced and lacked adequate documentation to support the rationale for single sourcing. In addition, for a quarter of the contracts we reviewed, the appropriate level of approval was not documented.

We also reviewed a sample of employee claims for travel, meal, and hospitality expenses, and for foundation-organized staff functions, and found that they frequently lacked the detailed information required to assess the reasonableness of the items and amounts claimed, as well as documentation to prove they were business-related expenses.

RECOMMENDATION 6

To help ensure that the Ontario Trillium Foundation (Foundation) follows the government's directives on the acquisition of goods and

services, as well as travel, meal, and hospitality expenses, the Foundation should reinforce with staff the need to comply with the directives, and consider having the Ministry of Finance's Internal Audit Division periodically review compliance and report the results of such reviews to the Foundation's Board.

FOUNDATION RESPONSE

The Foundation is committed to following the government's directives in these areas, and has been strengthening its internal policies over the last few years. Consistent documentation of procurement decisions is also being strengthened.

The overall modesty of our operating costs bears testament to our commitment to cost-efficiency. We appreciate the Auditor General's recommendation regarding periodic review by the Ministry of Finance's Internal Audit Division. We would welcome this, and have initiated discussions with the Ministry in this regard.

OTHER MATTER

Conflict-of-interest Declarations

Persons hired as staff and volunteer appointments to grant-review teams and the board of directors are required to sign conflict-of-interest declarations that they have read, understand, and agree to comply with the Foundation's conflict-of-interest policy. However, such individuals are not required to identify people or organizations with whom they may have a potential conflict of interest, as is required by many other organizations.

Given the nature of its grant program, the Foundation often recruits staff and volunteers from the same community as grant recipients, and, as a result, many already know individuals from organizations seeking grants. Accordingly, it is particularly important for the Foundation to ensure that new staff and volunteers identify potential con-

flicts. Otherwise, the Foundation cannot effectively oversee and monitor potential conflicts of interest. However, we also found that there is no requirement that individuals periodically update or renew their conflict-of-interest declarations, as required annually by many other organizations. We noted that the Foundation could not locate a few of the conflict-of-interest declarations that we asked to see for individuals who began working for the Foundation in the last three years.

RECOMMENDATION 7

To help ensure that its conflict-of-interest policy is effectively enforced, the Ontario Trillium Foundation should more effectively oversee and monitor compliance with its conflict-of-interest policy by staff, members of the board of directors, and grant-review team members. It should also require them to update or renew their conflict-of-interest declarations annually, and include a listing of individuals and organizations with whom they have a potential conflict of interest.

FOUNDATION RESPONSE

The Foundation's volunteers and staff are all highly engaged members of their communities, participating actively in voluntary work and community-building. The Foundation agrees with the Auditor General regarding the value of effective and clear conflict-of-interest policies and practices. While our policies have served us very well over the years, we are committed to ongoing improvement.

The Foundation has instituted the annual signing of conflict-of-interest declarations. We will investigate best practices in relation to the creation and maintenance of a list of organizations with which individuals have a potential conflict of interest, as recommended by the Auditor General.

Background**Audit Objective and Scope****Summary****Detailed Audit Observations****Grant Program Overview****Grant Promotion****Grant Review and Approval Process****Reasonableness of Amounts Approved****Grant Monitoring****PERFORMANCE MEASURES****Goods and Services Procurement****Other Matter****Conflict-of-interest Declarations**