

## Chapter 4

### Section 4.11

# Ontario Trillium Foundation

Follow-up to VFM Section 3.11, *2011 Annual Report*

## 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.”

In the 2012/13 fiscal year, the Foundation distributed over 1,300 grants (about 1,500 in 2010/11) totalling more than \$116 million (\$110 million in 2010/11) 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 pays for salaries and wages of people working in these organizations.

The agency has a volunteer board of directors and about 120 full-time staff located at its Toronto head office and 16 regional offices. In addition, more than 300 volunteers may be named to grant review teams across the province—18 to 24 volunteers on each team—to vote on which projects or organizations should be funded.

In our *2011 Annual Report*, we noted:

- One of the Foundation’s main responsibilities is to give out its 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 the areas listed above. The determination of value for money received for each grant may well be in the eye of the beholder, and it is within this context that the Foundation operates.

- Although the Foundation has a well-defined grant application and review process for deciding which applicants receive grants, the underlying process and resulting documentation often did not demonstrate that the most worthy projects were funded for reasonable amounts. This was due to the fact that there was often little documentation available to demonstrate that the Foundation objectively compared the relative merits of different proposals, adequately assessed the reasonableness of the grant amounts requested and approved, and effectively monitored and assessed spending by recipients.
- Many of the grant recipients we visited could not substantiate expenditure and performance information they reported to the Foundation.
- We felt the Foundation’s website was comprehensive and informative. However, the Foundation could do more to inform community organizations about the availability of grants

and about the application process. It could, for example, consider advertising in local and ethnic-community newspapers.

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

We made a number of recommendations for improvement and received commitments from the Foundation that it would take action to address our concerns.

## Status of Actions Taken on Recommendations

We concluded that the Foundation had made substantial progress on most of our recommendations. For example, the Foundation developed a new corporate strategy with new performance measurement indicators and targets; expanded its promotional activities; and developed new approaches to grant monitoring, including more site visits to grant recipients. It also strengthened its conflict-of-interest guidance and monitoring. At the time of our follow-up, work remained to be done to fully implement improved goods and services procurement practices, and to complete an assessment tool to help staff review the reasonableness of grant requests.

The status of the actions taken on each of our recommendations was as follows.

## GRANT PROMOTION

### 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.

### Status

In our *2011 Annual Report*, we noted that the Foundation did not publicly advertise the availability of grants, and, as a result, there was little assurance that all eligible organizations were aware of the Foundation and its programs. We also noted that the solicitation of applications by staff and Foundation volunteers raised issues of potential conflict of interest, as these same staff later reviewed applications to determine who got funded.

With respect to publicity, the Foundation established a new outreach and promotion target as part of its performance measurement process. Achievement of this target is measured by the ratio of applications submitted to the number of applications granted. In an effort to increase this ratio, the Foundation purchased Google ads for several one-month periods prior to grant application deadlines to direct visitors to the Foundation's website. This resulted in more than 1,000 "click-throughs" from Google to the Foundation site in each of the months of January, February and October 2012, and more than 1,000 again in February 2013. The Foundation also developed a brochure that provided information about its new strategic framework and sector priorities, and directed interested parties to its website and staff. At the time of our follow-up, 8,000 copies of the brochure had been produced and distributed amongst staff in the 16 catchment areas for use in their outreach activities. The Foundation identified low-demand areas in the province and

initiated outreach and communications activities in those areas, including placing advertisements in local media.

The Foundation planned to continue placing strategic advertisements across the province prior to grant deadline dates in 2013/14. It also planned to research and pilot-test related initiatives, such as publishing electronic newsletters and increasing its presence on social media such as Facebook, LinkedIn and Twitter.

With respect to conflict of interest, the Foundation put in place a new process to ensure that its representatives who encouraged organizations to apply for grants were no longer the ones who subsequently helped select which applications would be funded. A new application assessment process developed in 2012 codified this separation and reinforced distinct roles for staff and volunteers by stipulating that volunteer grant review teams were responsible for determining which applications would be approved, while staff, who conduct all outreach and promotion activity, would act only as advisers to these teams.

The Foundation further developed a questions-and-answers document and distributed it to staff and volunteers to provide guidance on conflict-of-interest issues. As well, all board members, staff and volunteers had recently completed training on the new conflict-of-interest requirements.

## GRANT REVIEW AND APPROVAL PROCESS

### 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.*

### Status

In our *2011 Annual Report*, we noted that although regional offices were required to complete a 15-question first review for each application that passed an initial technical review, many of the case files we reviewed contained no evidence that this had been done. Even when the review was on file, it was improperly completed in half of the cases reviewed. We further noted that 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. In the three that did, there were unexplained instances of lower-ranked projects advancing in the process while higher-ranked projects did not. We also found the due-diligence work completed on applications and the documentation of this work was often inadequate and varied significantly, and in some cases the required site visits were either poorly documented or not done at all. There was also no comparative documentation to indicate why some projects were recommended for funding while others were not.

At the time of our follow-up, the Foundation informed us that in early 2013 it had implemented a new application assessment process, aligned with its new strategic framework, to ensure that granting decisions are based on a more objective and rigorous process. The new process addresses eligibility, sector impact, community impact, feasibility assessments, internal review meetings and documentation requirements. To improve transparency, the new process provides a basis for comparing one project to another and required documentation as to why applications were either funded or declined. Finally, it indicates those steps that are to be completed with the help of volunteers and those that are not.

The new application assessment process is supported by an online grants management system that staff use to:

- enter scores against each assessment criterion;
- automate certain calculations, such as the leverage ratio of money potentially raised from other sources; and
- produce reports ranking applications by score for both the first and second review meeting, and summaries for each application.

## REASONABLENESS OF AMOUNTS APPROVED

### 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 deliverables 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.*

### Status

In our *2011 Annual Report*, we noted that although the biggest component of many funded projects was salaries and fees, grant files often did not contain the appropriate information needed from applicants to assess the reasonableness of these proposed costs. We also were often unable to determine whether the grant amounts were commensurate with the services to be provided. We also found a number of cases where there was no evidence that grant recipients had obtained the competitive bids required when buying items that cost more than \$5,000.

At the time of our follow-up, the Foundation informed us it used a three-pronged approach to

ensure funding is reasonable. First, in cases where grants have been previously given to an organization, program managers can assess the new submitted proposal by comparing it with the prior grants. Second, as they did even at the time of our audit, grant review teams made up of community members have the authority to question and reject unreasonable amounts requested, and they often do so. Third, the Foundation had initiated a project to collect external validation data for goods and services that were frequently funded (for example, salaries for various positions, consultant fees for common projects and information technology hardware costs). A working group compiling this data was planning to incorporate the information it gathered into the development of an assessment tool for staff use. The Foundation planned to have this tool available by fall 2013.

We were informed that the lead reviewer and the program manager, in consultation with the grantee, now conduct an assessment of the resources required to meet the objectives of the grant based on the specific expected outcomes or the grant activities. In this assessment, staff and volunteers use their knowledge and experience and the database of previous grants.

## GRANT MONITORING

### 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.

### Status

In our *2011 Annual Report*, we noted that although grant recipients were required to submit annual progress reports on how they used provided funds, the process was inadequate for ensuring that money was spent on its intended purpose. For example, we noted that in a number of cases there was insufficient detail in the reports to enable assessment of the reasonableness of amounts spent or whether, in fact, organizations were simply reporting the original budget amounts as the amounts eventually spent. The Foundation also rarely requested invoices or other documentation to substantiate reported expenditures. As well, recipients were not required to substantiate performance information they provided to the Foundation, progress reports submitted by grant recipients were often late and there was often inadequate evidence of questioning by Foundation staff about those reports. Furthermore, few site visits were made to directly assess the use of Foundation funds. Our site visits identified a number of instances where grant spending was inadequately documented by recipients, where amounts spent appeared excessive, or where funds were used for purposes other than those approved.

At the time of our follow-up, the Foundation had introduced an enhanced audit plan for 2012/13 that included more audits of progress and final reports, more thorough reviews of granting information, and site visits to grant recipients on a pilot-program basis. A total of 70 grants were subject to a new audit process, and the consultant conducting the audits concluded in a report to senior staff and the board that, although some exceptions were noted, the “vast majority” of grant recipients had spent Foundation money appropriately. The con-

sultant made a number of recommendations, and in response to these the Foundation said it had:

- developed a risk-assessment tool to assess the degree and type of monitoring required for each grant, to be used for all applications;
- placed a renewed emphasis on site visits for higher-risk grants; and
- refined a model for monitoring grant recipients’ progress against expected results as part of the Foundation’s new performance measurement framework.

The Foundation further informed us it had restructured its organization to allocate part of its operating budget to support a new monitoring function and was in the process of developing a Quality Assurance Unit that would be responsible for monitoring grant recipient expenditures, ensuring compliance with grant conditions and internal audits. The Foundation said its performance scorecard also included several new compliance targets, including a target percentage of grant recipients to be audited.

The Foundation told us that it now more often evaluates the reasonableness of grant recipients’ spending, doing so both at the interim-progress-report stage and when the funded project is completed. If it needs to, it requests more information. The most comprehensive review is at the end of the grant process, when the total amount spent, as well as the achievements accomplished with the grant, are reported on. Staff assess these achievements and whether value for money was received. In cases where adequate value does not appear to have been received, the reasons are explored with the grant recipient, and next steps, such as requesting further supporting documents or using the assessment to inform future grant decisions, are taken.

## PERFORMANCE MEASURES

### 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.

#### Status

In our 2011 Annual Report, we noted that while the Foundation had developed a set of performance measures for assessing its performance and providing information to the public, these measures were insufficient for assessing the Foundation's success in meeting its objective of funding worthy projects in the right amounts or for identifying internal operational areas in need of improvement. Our evaluation of the measures that were in place noted that they were too broad to yield meaningful assessments.

At the time of our follow-up, the Foundation informed us that as part of its new strategy it had enhanced its approach to measuring the impact of its grants by developing an enterprise-wide "balanced scorecard" to monitor performance, based on a review of international best practices for granting organizations. The scorecard established indicators for measuring both the organizational performance of the Foundation as well as the performance of grant recipients. New performance targets were included in the Foundation's January 2013 business plan, and each board meeting is now to include time for a discussion on these targets and indicators to ensure accountability. The Foundation said it was aiming to complete development of new sub-indicators for this performance management system in 2013/14, and the new Quality Assurance Unit would be substantiating grant recipients' success on a sample basis.

## GOODS AND SERVICES PROCUREMENT

### 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.

#### Status

In our 2011 Annual Report, we noted that although Foundation staff appeared to have an institutional mindset that emphasized cost containment, about half of a sample of consulting and goods-and-services acquisitions that we reviewed and that required a competitive selection process were instead single-sourced with inadequate documentation justifying this single-source decision. Further, about one-quarter of these contracts were not approved at the appropriate management level. We also noted for some employee claims for travel, meals and hospitality a lack of detailed information supporting the amounts claimed and proving that they were business-related.

At the time of our follow-up, the Foundation had developed enhanced and clearer guidelines for procurement and travel expenses. New travel expense policies were finalized and communicated to staff in January 2012 and new procurement policies approved and distributed in February 2012. A procurement specialist had been hired for a six-month period to further review and strengthen procurement practices and continue to refine its guidelines and procedures in this area. The Foundation said it expected to finish its work addressing this recommendation by fall 2014.

## OTHER MATTER

### Conflict-of-interest Declarations

#### Recommendation 7

*To help ensure that its conflict-of-interest policy is effectively enforced, the Ontario Trillium Foundation (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.*

#### Status

In our *2011 Annual Report*, we noted that while Foundation staff and volunteers were required to sign conflict-of-interest declarations and agree in writing to comply with the Foundation's conflict-of-interest policy, they were not required to identify people or organizations with whom they may have a potential conflict of interest, nor were they required to periodically update or renew these declarations. Also, some conflict-of-interest declarations could not be located.

In its response to our report, the Foundation indicated it had instituted the annual signing of conflict-of-interest declarations, and would investigate best practices in relation to the creation and maintenance of a list of organizations with which individuals had a potential conflict of interest.

At the time of our follow-up, the Foundation had adopted the *Public Service of Ontario Act's* Conflict of Interest Policy. It had also developed a question-and-answer guidance document, which used real-world examples of complex potential conflict situations in the context of the Foundation's work. It intended to revise the document as staff knowledge of and experience with conflict issues grew. The Foundation said new declaration forms had also been developed and completed by all staff, volunteers and board members, and a process had been put in place for annually updating them. In addition, declarations of conflict of interest were made standing items on the agendas of the board and grant review team. In early 2013, members of the senior management team and board members attended grant review team meetings to deliver training on the new policy and facilitate a discussion on compliance. As well, conflict-of-interest training was incorporated into a new board, staff and volunteer orientation process.

The Foundation now provides program managers with a summary report that includes the declared conflicts of interest from the annual declarations for each of the volunteers on their grant-review team or committee. Program managers can then direct specific applications to volunteers without conflicts on those files.