

AUDITOR GENERAL'S REPORT

**Municipal Grants – Improving the
Community Partnership and Investment
Program**

November 30, 2012

Jeffrey Griffiths, C.A., C.F.E.
Auditor General



TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND	2
AUDIT OBJECTIVES, SCOPE AND METHODOLOGY	3
AUDIT RESULTS	5
A. COMMUNITY SERVICE PARTNERSHIPS PROGRAM	5
A.1. Simplify Assessment Process and Enhance Monitoring	5
B. HOMELESS INITIATIVES FUND	6
B.1. Grants Open to Previously Funded Agencies Only	6
B.2. Update Application Process to Include Performance Measures	7
C. TORONTO ARTS COUNCIL	8
D. ISSUES THAT MAY APPLY TO OTHER GRANTS WITHIN THE COMMUNITY PARTNERSHIP AND INVESTMENT PROGRAM	9
D.1. Explanations Required for Unusual Financial Information	9
D.2. Timely Supervisory Review Required	10
D.3. Update Assessment Forms to Ensure Content is Relevant and Practical.....	10
D.4. Improve Quality of Documentation	11
CONCLUSION	12
Exhibit 1 - Community Partnership and Investment Program	13

EXECUTIVE SUMMARY

The Auditor General's annual audit work plan included a review of the Community Partnership and Investment Program (CPIP). Our last review in this area, in 2001, resulted in 18 recommendations which have all been implemented.

Audit focuses on three programs: Community Service Partnerships Program, Toronto Arts Council and Homeless Initiatives Fund

The objective of this review was to assess the process for awarding grants and to review the ongoing monitoring of grants.

The focus of this audit was on the following three CPIP programs:

- \$12.7 million in funding administered by the Community Service Partnerships Program for community groups to improve social outcomes of marginalized and vulnerable individuals
- \$11.5 million in arts and cultural funding administered by the Toronto Arts Council on behalf of the City
- \$2.5 million for Homeless Initiatives Fund for agencies that provide housing help services for people in need.

Audit Results

This review identifies additional areas of improvement for design, application assessment and performance monitoring for certain grant programs. This report also makes suggestions for administrative improvements for all CPIP grant programs as follows:

Community Service Partnerships Program

- Streamline the assessment for previously approved organizations to free up time for enhanced performance monitoring.

Homeless Initiatives Fund

- Assess whether services can be enhanced by adopting a more rigorous application and assessment process giving opportunities for new providers to qualify for grants.

Community Partnership and Investing Program in General

- Seek explanations for unusual financial information.
- Perform supervisory reviews in a timely manner.
- Update application assessment forms to ensure guidelines are relevant and practical.
- Improve quality of documentation.

Conclusion

This report presents the results of our review of the Community Partnership and Investment Program. We have identified areas for improvement in grant program design, application assessment and performance monitoring.

Addressing the recommendations in this report will improve the administration of the City's Community Partnership and Investment Program for issuing and monitoring municipal grants.

BACKGROUND

Grants Policy sets standards for administration

The City has authority to issue grants under Section 83 of the City of Toronto Act (2006). The Toronto Grants Policy sets out the conditions and standards for the administration of grants. In-kind grants are specifically excluded from the definition of grant.

Community Partnership and Investment Program (CPIP)

The Community Partnership and Investment Program (CPIP) contributes to the quality of life of residents in the City of Toronto by directly funding service delivery and by building capacity for service delivery in the community. Each grant program within CPIP is linked to the City's Strategic Plan and addresses specific Council priorities.

Grant allocations are guided by the principles of:

- accessibility
- fairness and equity
- openness and transparency
- accountability
- responsiveness

***3 types of funding
- Partnership
- Investment
- Administration***

There are three types of funding provided to a City-wide network of community agencies:

1. Partnership funding - for specific programs to meet ongoing service demands.
2. Investment funding - for short-term limited activities and development of new initiatives.
3. Administration funding - supports the effective delivery of services and the accountability of City funding through community organizations.

In 2012 the City administered \$47.2 million grants

The 2012 budget for CPIP grants was \$47.2 million. Approximately 85 per cent of the total CPIP budget is allocated to partnership programs. The balance is allocated to investment programs and administration.

Various City divisions administer grant programs under the CPIP umbrella. Exhibit I lists all CPIP programs, and the corresponding funding, for 2012.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

All 18 recommendations from our 2001 audit have been implemented

We previously audited the community services grants program in 2001. Since that time, staff have implemented our 18 recommendations resulting in strengthened management practices for the City's grants programs. The Auditor General's 2012 Annual Work Plan included a review of municipal grants grouped under the Community Partnership and Investment Program.

Awarding grants and monitoring performance

This review assessed the processes for the awarding grants and monitoring subsequent agency performance.

***3 programs
account for more
than half of funds
granted***

We included the following three grant programs in the scope of this review:

- \$12.7 million in funding for the Community Service Partnerships (CSP) Program administered by the Social Development, Finance and Administration Division. This is funding for community groups to improve social outcomes for marginalized and vulnerable individuals.
- \$11.5 million in arts and cultural funding administered by the Toronto Arts Council on behalf of the City.
- \$2.5 million for Homeless Initiatives Fund administered by the Shelter, Support & Housing Administration Division. This is a program to fund agencies that provide housing help services for people in need.

These three grant programs account for \$26.7 million (56%) of the \$47.2 million CIP budget in 2012.

This audit focused on the period from 2009 to mid 2012.

Our audit methodology included:

- Review of policies and procedures
- Review of Committee and Council minutes and reports
- Interviews with staff
- Examination of documents and records
- Evaluation of management controls and practices
- Review of the agreement with the Toronto Arts Council

***We conducted this
audit in
accordance with
generally accepted
government
auditing standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

A. COMMUNITY SERVICE PARTNERSHIPS PROGRAM

Partnership program funds some 200 agencies

The Social Development, Finance and Administration Division administers the Community Service Partnerships program (CSP).

CSP provided \$12.7 million in 2012 to more than 200 agencies. Although CSP is an important source of funds for participating organizations, on average, funding is \$60,000 representing only about two percent of each agencies budget.

A.1. Simplify Assessment Process and Enhance Monitoring

CSP funds are for ongoing services

Each year a significant number (more than 95 per cent) of the same agencies receive a grant under the CSP program. Since the funding supports ongoing services many have been receiving funding for over a decade. Consequently, City staff who administer the grants are very familiar with a majority of these agencies.

Staff members spend majority of their time on application and assessment with limited time left for performance monitoring

Even though 95 per cent of successful applicants were assessed in the previous year, City staff dedicate up to half a year of their time on processing applications and producing the annual grants allocation report for Council. Delays in obtaining correct information from the agencies, along with the fact that the current information system does not fully support the assessment stage, prolong the process. This in turn leaves staff with little time for the important task of monitoring the performance of funded agencies, in order to ensure intended results were achieved.

25% of agencies get a site visit

City staff indicate that they can only visit approximately one-quarter of the funded agencies each year. The majority of funded agencies do not receive any site visit and consequently staff must rely on performance information reported by the agency with little verification.

By the time City staff are able to review information provided by some of the agencies the next funding cycle has already started. There is little recourse for staff when agencies do not submit information in a timely manner or do not perform in accordance with performance requirements.

Corporate Grant Information System partially supports operations

The Corporate Grant Information System was developed to support the administration of the grants process however, the system lacks the functionality needed to be able to efficiently complete the assessment stage. Staff duplicate efforts in the assessment process by completing detailed manual forms. Based on the information in these forms, a high level assessment is completed within the online grants system. Incorporating the manual forms into the grants system could eliminate this step.

Efficiencies can be gained moving the assessment process to Corporate Grant Information System

Staff advised us that they plan to integrate the grant application assessment process into the Corporate Grant Information System in 2013. This would create operational efficiencies allowing staff to spend more time monitoring funding agencies. It will be important to consider changes to current processes to maximize efficiencies in the conversion to a more automated process.

Recommendation:

- 1. City Council request the Executive Director of Social Development, Finance and Administration to streamline the grant application assessment process prior to its integration into the Corporate Grant Information System.**

B. HOMELESS INITIATIVES FUND

B.1. Grants Open to Previously Funded Agencies Only

Homeless Initiative Fund contributes \$2.5 million to 29 agencies

The City's Homeless Initiatives Fund (HIF) contributes \$2.5 million annually to 29 community agencies that provide help for people in need of housing. The City's Shelter, Support & Housing Administration Division (SSHA) administers the HIF.

Closed Grants Program

HIF is a closed grants program that only invites agencies receiving funding to re-apply each year. Some of the current agencies have been funded since 1992, when the City established the fund. Since 1999, new agencies can only receive funding through a business case to address a specific need.

A closed program restricts options for new service models

An open application process would provide SSHA with opportunities to consider new service models that may be available through other agencies. In addition, an open grants program is consistent with the principles of accessibility, fairness, equity, openness and transparency.

Recommendation:

- 2. City Council request the General Manager, Shelter, Support and Housing Administration to open the application process for the City's Homeless Initiative Fund for all interested community agencies.**

B.2. Update Application Process to Include Performance Measures

Last application process was in 2008

The last HIF grants application process was completed in 2008 and selected agencies to be funded for the funding period from 2009 to 2011. The three year funding cycle was in response to a City initiative to streamline and simplify City funding programs. This multi-year funding period was later extended to also cover 2012 and 2013.

The current application process does not clearly articulate performance measures and service outcome objectives. This is important information in assessing a particular organizations performance.

SSHA should consider revising the application process to include performance measures and expected service outcomes.

An open grants process provides more options

A thorough evaluation of an organizations success in meeting service objectives could result in changes to funding levels thus providing capacity to allow for new entrants to provide the required services.

Recommendation:

- 3. City Council request the General Manager of Shelter Support and Housing Administration to revise the application process for the Homeless Initiatives Fund to ensure agency performance objectives are clear and are subsequently compared to actual performance.**

C. TORONTO ARTS COUNCIL

TAC administers arts and culture funding on behalf of the City

Toronto Arts Council (TAC) is an independent not-for-profit organization. TAC has an agreement with the City to administer arts and culture funding on behalf of the City. In accordance with the agreement TAC establishes its own criteria for decisions related to the grant process and reports back to City Council on grant allocations.

TAC processes over 1600 applications and awards almost 700 grants each year

Each year, TAC receives 1,600 to 1,700 applications and awards 670 to 700 grants. TAC administers a large number of low-value grants. For example, in 2011, 70 per cent of the TAC grants were less than \$10,000. Administering smaller grants is labour-intensive in that TAC staff often have to help individual artists and smaller art organizations with the application process.

10.7% of City funds are for administration

In 2012, the City provided TAC with \$1.2 million in operating funds to administer \$10.3 million in grants. For every \$100 provided by the City, TAC spends just over \$10 in grant administration.

TAC in compliance with their agreement with the City

Our review of arts grants found that TAC administers City funding in compliance with terms and conditions established in the agreement with the City.

D. ISSUES THAT MAY APPLY TO OTHER GRANTS WITHIN THE COMMUNITY PARTNERSHIP AND INVESTMENT PROGRAM

Although the scope of this review included three specific grant programs, while reviewing agency applications and assessments we observed certain administrative matters which can benefit all City grant programs. Our suggestions for these improvements are summarized below.

D.1. Explanations Required for Unusual Financial Information

Large budget variances need explanations

In some grant applications, we noted budget variances as high as 400 per cent and 500 per cent on a year over year basis without any notation or explanation.

In some cases this was a result of organizations including significant budgeted revenue increases representing grant requests to different funding bodies. Such variances are not considered unusual as organizations are continually attempting to expand and diversify their sources of funds. Regardless, it would be prudent to include explanations as to the reasons for such variances in the review of these files.

Further, we also noted instances where agencies reported actual expenditures exactly equal to budgeted expenditures in their final project report. In these particular examples, the information would be considered unusual and warrants some explanation. There is no documentation on file to explain these unusual amounts.

Recommendation:

- 4. City Council request the City Manager to ensure City staff overseeing grant programs document explanations for unusual financial information.**

D.2. Timely Supervisory Review Required

Supervisory review checklist implemented in response to Auditor General's 2001 audit

In response to the Auditor General's audit in 2001, SDFA implemented a checklist for supervisory review. The review is an internal quality control step to ensure the grant application and assessment process is conducted in compliance with established guidelines. Not all grant programs have developed, and use, a checklist to facilitate supervisory review of grant allocations.

SDFA conducts supervisory review on agencies that receive large grants and also selects an additional 10 per cent of agencies on the annual allocation list.

Supervisory review of 2010 allocations performed in 2012

At the time of our audit, SDFA was two years behind in performing supervisory reviews. SDFA staff were unable to perform the review due to competing demands on their time.

The benefit of the supervisory review is to immediately correct any errors or problems that are identified. It may be necessary to modify the nature and extent of supervisory reviews to ensure they can be completed on a timely basis.

Recommendation:

- 5. City Council request the City Manager to ensure checklists for supervisory review of Community Partnership and Investment Program grant allocations are developed and that supervisory reviews are performed in a timely manner.**

D.3. Update Assessment Forms to Ensure Content is Relevant and Practical

Some application assessment guidelines are overly subjective and can be easily circumvented

HIF application assessment forms consist of a series of questions that form the assessment for issuing a grant. SSHA should revisit the forms to make sure the guidelines are relevant, meaningful and practical.

One of the application assessment forms, the Project Assessment Form, contains guidelines that can be easily circumvented by agencies. For example, non program staff time can easily be allocated to programs to artificially reduce administrative expenditures.

Another application assessment form, the Organization Assessment Form, contains guidelines that are overly subjective and open to interpretation by City staff leading to inconsistent evaluations. In addition, some of the guidelines on this form are redundant.

Finally, divisional staff, including long term staff, are not always familiar with the assessment guidelines.

Recommendations:

- 6. City Council request the City Manager to ensure all grant assessment forms are relevant, practical and clear.**
- 7. City Council request the City Manager to train grants staff on the use of updated assessment forms.**

D.4. Improve Quality of Documentation

Files contain incomplete or blank assessment checklists

In reviewing the grants assessment and monitoring process we selected a sample of files for agencies that received a grant. The files reviewed for CSP contained incomplete or blank assessment checklists.

Little rationale to support agency performance and risk ratings

The assessment checklists were developed for SDFFA staff to apply certain criteria when rating the performance level and risk level of each agency or program being assessed. The files we reviewed contained little or no supporting documentation for these ratings.

Some files contained staff notes raising concerns identified during application reviews or performance monitoring. There was no evidence in the files that these concerns were addressed.

Files did not explain exceptions to program guidelines

CSP program guidelines require agencies to meet all the eligibility criteria to qualify for funding. In one case, SDFFA staff answered “no” to one of the organizational eligibility questions but still rated the agency as eligible. SDFFA staff indicated that the agency provides a necessary service in the community it serves and was assessed as eligible to help the agency through a period of financial difficulty. We suggest that SDFFA staff document any exceptions to established program guidelines.

Recommendation:

- 8. City Council request the City Manager to ensure that standard documents developed for the application or assessment of specific grant programs be carefully completed, all outstanding issues are addressed, and files contain explanations for exceptions to established guidelines.**

CONCLUSION

This report presents the results of our review of the Community Partnership and Investment Program. We have identified areas for improvement in grant program design, application assessment and performance monitoring.

Addressing the recommendations in this report will improve the administration of the City's Community Partnership and Investment Program for issuing municipal grants.

EXHIBIT 1

Community Partnership and Investment Program

Name of Grant Program	2012 Approved Budget \$000s	Funding Type
Arts & Culture		
Toronto Arts Council Grant Program	10,279.5	Partnership
Major Culture Organizations	6,031.0	Partnership
Toronto Arts Council Operation Program	1,234.1	Administration
Royal Winter Fair	939.1	Partnership
Local Art Services Organizations	533.4	Partnership
Artscape	264.0	Partnership
Museums	80.6	Partnership
Glen Gould Foundation Award and Music Garden	27.5	Administration
Sub-total: Arts & Culture (Economic Development & Culture)	\$19,389.2	
Community Services		
Community Services Partnership Program	12,697.8	Partnership
Major Recreation	1,048.2	Partnership
Access & Equity and Human Rights	805.1	Partnership
Community Safety Investment	696.9	Investment
Findhelp Toronto	545.2	Partnership
Service Development Program	407.8	Investment
Minor Recreation	378.7	Investment
Graffiti Transformation	353.9	Partnership
Youth Led Initiatives	171.7	Investment
Community Festivals	103.3	Investment
Sub-total: Community Services (SDF&A)	\$17,208.6	
Public Health		
School Food Program	3,819.6	Partnership
AIDS Prevention	1,679.0	Investment
Drug Prevention Program	844.3	Investment
Sub-total: Public Health (Toronto Public Health)	\$6,342.9	
Homeless Initiatives Fund	2,504.0	Partnership
Sub-total: Shelter, Support & Housing Administration	\$2,504.0	
Harbourfront	750.0	Administration
University Settlement Recreation Centre	260.3	Administration
Dovercourt Boys & Girls	71.3	Administration
St. Albans Boys & Girls	23.9	Administration
Sub-total: Facilities Management	\$1,105.5	
Economic Development		
Competitiveness, Creativity and Collaboration	387.0	Investment
Sub-total: Economic Development & Culture	\$387.0	
Heritage Grant	260.0	Investment
Sub-total: City Planning	\$260.0	
Total Community Partnership and Investment Program	\$47,197.2	