



Strengthening Canada's Communities / Des communautés plus fortes au Canada

***Concerns with Administrative Procedures
of Human Resources and Skills Development Canada***

August 31, 2004

The Canadian Community Economic Development Network (CCEDNet) has received input from a number of its member organizations about difficulties they have experienced in recent months in their relationship with Human Resources and Skills Development Canada (HRSDC).

The following backgrounder describes the nature of the problems being encountered. It is based on an initial round of consultation with CCEDNet members in various jurisdictions, including British Columbia, Alberta, Nova Scotia and particularly Ontario. While not an exhaustive study, we believe the issues documented here are illustrative of problems experienced by many organizations across the country.

This summary of concerns is put forward in a spirit of constructive dialogue. Many CCEDNet members consider HRSDC to be a vital partner in their work. Particularly in light of the federal government's emerging policy on community economic development and the social economy, there is a strong desire to work with the department to bring about changes that allow the potential of this partnership to be realized.

At the same time, in the view of many organizations the situation has reached a critical impasse. Recent administrative changes introduced by HRSDC have aggravated frustrations that have existed for several years. In the worst situations, recent decisions made by HRSDC are threatening the very existence of highly valued community organizations. In other cases, due to the mounting difficulties experienced working with the department, organizations have decided that they will no longer seek the funding support it offers. Given the importance such funding holds for these organizations, such

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a turn of events is a remarkable indication of the severity of the problems being experienced.

The people who will suffer most of all from this unfortunate situation are the local residents who rely on the department and its community partners for a variety of important services.

Background

In recent years, Human Resources and Skills Development Canada has been concerned to strengthen its administrative procedures with respect to allocating funds and ensuring accountability for tax dollars. Community organizations fully understand and support the need for well-developed and transparent methods for investing public funds and accounting for its use.

At the same time, many organizations feel that the manner in which the department has pursued this goal has been excessive and counterproductive. Extreme attention to administrative detail has diverted precious energy and resources from the core missions of the department and community organizations. Moreover, an adversarial tone has been introduced into the relationship robbing both government and community groups of the trust needed for a productive partnership.

Regrettably, the new Call for Proposals process initiated in February 2004 has only exacerbated these problems, generating a host of practical concerns for community groups and raising further questions about the nature of the relationship between HRSDC and community organizations.

Underlying Issues

Two underlying issues are apparent in the feedback received from community organizations:

1. *The state of the relationship* – Questions have arisen about the way in which the department views its relationship with community organizations. Over the years, many organizations in this sector have developed excellent partnerships with the department. Unfortunately, changes introduced over the last few years have raised questions about the department's approach to this relationship. Micromanagement practices adopted by the department tend to reduce community organizations to mere delivery agents operating under the direct supervision and control of government. Moreover, what some have called 'forensic' accounting procedures employed by the department have undermined the trust that is needed for effective collaboration.
2. *Understanding of CED* – Organizations question whether the department fully appreciates the nature of community economic development work and is prepared to provide appropriate support. To be successful in their work, community organizations need to respond flexibly to the unique circumstances of their local communities. They also need to address challenges as they are experienced on the

ground in local communities: as interrelated issues requiring integrated responses. In various ways, current administrative procedures undermine efforts to create flexible, integrated responses to community needs.

Specific Issues

Based on our consultations to date, we identify five major areas of concern:

1. The funding application process

Community organizations identified a long list of concerns about their experience applying for funds through HRSDC programs.

The overriding concern is that the funding application process has become a long, drawn out, frustrating process consuming inordinate amounts of time and energy. Organizations have described application processes that have taken as much as six months and required as many as five or six extensive re-writes of proposals in response to shifting feedback from the department. Even after close consultation with department staff and painstaking efforts to adjust proposals to match department requirements, proposals may still fail to gain support.

Among the specific difficulties identified by community organizations are:

- *Inadequate information about funding programs* – Organizations often receive inconsistent and conflicting information from HRSDC staff with respect to initiatives that can be funded by the department.

A number of organizations described the changing feedback and guidance they received over the course of several months while their proposals were being prepared and reviewed. This inconsistency in information appears to be a systemic problem within the department, with information varying from one local office to another and among departmental personnel at local, regional and national levels.

Other organizations cite additional problems obtaining information about funding programs: local program officers are not always well-versed on the full range of programs offered by the department; community organizations sometimes learn about new programs of which local staff are unaware; written information on programs is hard to obtain; some funding programs are not documented on the department's website; website information is not always sufficiently detailed and precise to provide adequate guidance to applicants.

- *Lengthy delays in the approval process* – Many organizations report significant delays in the review and approval of proposals. Such delays can undermine the efforts to implement valuable projects.

One organization noted that the department strongly favours proposals involving partnership arrangements but added that such partnerships may not survive the lengthy approval process, especially when the private sector is involved: "If the

department takes 18 months to approve a proposal and the partnership falls apart in the meantime, it shouldn't wonder why.”

Another organization described how delays in funding approval result in the underutilization of established community capacity. This organization had partnered with another nonprofit agency to develop a kitchen facility to prepare meals for the homeless and simultaneously build the skills of at-risk youth. The kitchen has only been able to operate for 12 of the past 36 months due to repeated delays in the approval of funding proposals.

- *Lack of stability within HRSDC staff* – Organizations often find themselves having to track down proposals that have been shuffled from hand-to-hand as staff changes occur within the department. With each change in staffing, new questions and input are encountered and additional revisions sought, further complicating the application process.

In some cases, discontinuity of staffing is believed to contribute to the department's inability to appreciate the community issues being addressed and to properly assess the proposal put forward by community organizations.

One organization reported dealing with at least three project officers over the course of six months and described the conflicting feedback received from the department over this period. Other organizations cited frequent meetings with department staff to sort through the uncertainties of program terms and conditions. The time, expense and frustration involved undercut the desire to work with the department.

- *Lack of follow-up by HRSDC staff* – Several organizations reported that the department is slow in responding to funding proposals. As a result, community organizations must initiate contact with the department in order to move the proposals step-by-step through the review process.
- *Coordination difficulties for organizations working in regions served by more than one HRSDC office* – Some community organizations serve regions or constituencies that span the territories served by HRSDC offices, for example, the francophone community in northern Ontario. Unfortunately, such organizations routinely encounter problems gaining the coordinated support they need from multiple HRSDC offices.

Some organizations suggest that the HRSDC offices in their areas are engaged in turf battles. For example, one organization reports that it has struggled to gain support for projects meant to serve constituents in an area covered by three HRSDC offices. In some cases, one or another of the HRSDC offices refuses to support the proposal because the organization's head office is not in its jurisdiction. In other cases, distinctive regional projects are rejected on the unfounded claim that the project duplicates activities already taking place in its jurisdiction.

Organizations also report that HRSDC offices in their areas offer different interpretations of funding guidelines and apply department regulations in different ways, all complicating the effort to undertake projects on a broader regional basis.

- *Special problems for minority language groups* – Some organizations note that HRSDC does not understand the challenges facing minority language communities nor the approach community organizations take to address these challenges. In this respect, they face a double burden: the same problems faced by other community organizations plus a lack of understanding of their distinctive circumstances.

2. *Increasingly restrictive terms and conditions*

Many organizations commented on the inflexible and restrictive nature of program terms and conditions, and the gradual tightening of these criteria, including in recent months. In the view of many organizations, the impact of such tightening is that valued services are being lost to local citizens.

One organization described its appreciation for the assistance it had received from the department in the past. Due to the innovative nature of its work, the organization did not fit easily into many funding programs. Flexibility evident in the Jobs Creation Partnership program allowed it to secure the support it required. Unfortunately, the new and tighter interpretation of this program's terms and conditions is now jeopardizing the continuation of its successful work.

Other organizations reported that tighter interpretations of the terms and conditions for the Employment Assistance Services program is threatening to eliminate highly used and highly valued self-employment and small business supports. Several organizations that have provided integrated supports to prospective entrepreneurs have recently discovered that these services will no longer be eligible for HRSDC support – this despite strong records of success and in some cases waiting lists of local citizens interested in participating in their programs. Due to the tightened interpretation of funding guidelines, such organizations have been advised to propose a dramatically curtailed set of services and/or to shift their program focus from self-employment and business supports to more traditional employment assistance. In either case, these organizations perceive that HRSDC is failing to recognize the distinctive value of CED initiatives that offer integrated support services to local entrepreneurs.

Several organizations that have provided input to CCEDNet are facing the virtual dismantling of programs and staff teams that took years to develop. What's worse, the reason for the withdrawal of support for these initiatives appears to have nothing to do with their value to the communities involved. Rather, the department's concern is with the strict interpretation of existing guidelines. In due course, the evident community need may well be recognized once again and these or other organizations will be encouraged to re-develop the very programs that are now facing closure. Better, these organizations suggest, to preserve existing capacity, review program terms and conditions, and make appropriate revisions that allow these valuable programs to be maintained.

3. *Micro-management*

Community organizations expressed strong concerns about the intensive administrative oversight undertaken by the department and its excessive reporting requirements. Such micro-management is undermining the relationship between the department and community organizations.

Organizations in Toronto have described the deteriorating relationship with the department: “Community agencies involved in recent budget negotiations with HRSDC describe the process as confrontational, adversarial, intimidating, inflexible and dictatorial. Agencies feel like they are being micro-managed and mismanaged by a bureaucracy where line-by-line audits have become the modus operandi.”

The stringent accounting and reporting practices instituted by the department in recent years go far beyond those required by other funders. In some cases, organizations are required to submit detailed monthly reports documenting approved expenditures and seeking special permission for even minor variations in those budgets. All organizations are expected to generate detailed documentation on even the smallest of expenditures. Organizations reported spending hours producing receipts for small expenses and incurring costs in staff time far beyond the value of the items in question. For small organizations with minimal staff, such requirements tax organizational resources to their limits. For large organizations responsible for managing many programs and large budgets, such exactions impose another order of administrative challenge.

Comments from several organizations illustrate their concerns:

- “Our organization has never had any problems with funding bodies; we believe in accountability; our program and financial reports are timely and complete; we conduct yearly audits which we submit to all of our funders. We are lucky to have enough funding to employ one full time coordinator to meet our program and administrative obligations. Although we appreciate the funding that we receive from HRDC, we have decided that we cannot afford the time and energy it takes to meet their new administrative requirements, and we are not planning to reapply for another grant.”
- “[HRSDC’s] administrative requirements are excessive, and small nonprofit organizations do not have the resources to meet them while continuing to deliver quality programming. Organizations that depend on department funding to maintain operations are the first casualties: volunteer board members cannot be expected to revise grant applications and budgets five or six times, and to maintain the separate bookkeeping that their funding demands... Accountability is necessary for any group that receives public funding; but excessive and inflexible rules only create barriers for the small organizations that are so important to the quality of life of our communities.”
- “The current organizational reality is such that staff spends an inordinate amount of time responding to line-by-line budget queries and other minutiae administrative

issues at the expense of developing and delivering programs to the community. It is rather ironic that in trying to ensure accountability, the very reason for our existence and for securing funds in the first place, is being undermined.”

- “The level of detail is simply not worth the cost of tracking and it wastes their staff time and ours. This needs to be reasonable. Particularly for organizations like ours that get annual and independent audits done every year, why do we pay for an audit if HRSDC is going to micro-manage what we are doing in terms of project management? Generally accepted accounting principles should apply. HRSDC staff time would be better spent supporting good project planning, capacity building with community CEDOs that do not have as strong procedures in place and the moving of applications forward in a timely fashion.”

4. Silo-type funding

One of the hallmarks of community economic development is its ability to create flexible, integrated responses to the challenges facing individuals and communities. Such an approach is simply more effective for addressing the difficult issues CED organizations seek to tackle. As others have said, ‘joined up problems require joined up solutions.’

Moreover, CED organizations achieve efficiencies by weaving together an array of programs and services, and capturing the synergies they generate.

Ultimately, the strength of the CED approach is its ability to go beyond the effectiveness of any individual technique, strategy or service. For its potential to be realized governments and other funders have to support the efforts of organizations to combine an array of tools to flexibly address the needs of the individuals and communities they serve.

Regrettably, the administrative procedures adopted by HRSDC in recent years tend to move in the opposite direction from those that would support CED efforts. Funding guidelines and associated evaluation criteria are increasingly geared to narrowly defined objectives. The advantages gained by integrating diverse programs and services are therefore overlooked when funds are granted and under-recognized when programs are assessed. Rather than being encouraged to be entrepreneurial in combining resources and services to achieve the greatest possible outcomes, organizations are forced to abide by restrictive guidelines that facilitate accountability at the expense of impact.

Organizations consistently identified the need for fresh thinking within the department about how to work appropriately with CED organizations in order to foster rather than undercut the unique strengths offered by such organizations.

5. Design and implementation of the recent Call for Proposals

The recent Call for Proposals (CFP) process has posed serious problems for many community organizations. In fact, the process has embodied many of the difficulties that community organizations have been experiencing with the department over the past several years:

- *Unclear and inconsistent information* – Information about the changes introduced through the CFP process has varied among HRSDC staff members and different HRSDC offices. Such information has pertained to the logistics of the Call for Proposals process as well as to changes in the interpretation of program terms and conditions that took place at the same time. The result has been a great deal of confusion and uncertainty for community organizations, and in many cases an extraordinary expenditure of resources as efforts were made to prepare funding proposals in response to frequently shifting guidance from the department.
- *Timing* – In some jurisdictions, the CFP process allowed for only two weeks between the time the call was made and the time when funding proposals were to be submitted. In one region in British Columbia, proposals were sought in four program areas over a three-week period – in mid-August!

Understandably, situations such as this add fuel to the concern about the relationship between community organizations and the department. They raise questions as to whether the department is giving due consideration to the realities of their community partners. The CFP process is geared to relatively large programs and services. Even at the best of times, a two-week turnaround for developing major proposals would be a difficult challenge for many organizations. But preparing such proposals (possibly more than one for the same deadline) during peak vacation time seems unfair and unreasonable.

- *Destabilization of organizations* – The way in which the CFP was implemented has caused financial havoc for many organizations. Due to delays in implementing the CFP, many organizations have come within days of the end of their existing contracts with no new funding arrangements in place. In some cases, recognizing this eventuality, organizations began seeking funding extensions at least a month earlier but were not approved for funding until the last minute.

The financial uncertainty has had a variety of repercussions. Many organizations were forced to send layoff notices to members of their staff, in some cases on more than one occasion over several months. One organization, at least, lost a valuable staff member who chose to seek more secure employment. Organizations in Toronto ceased client in-take during this period due to reduced staffing capacity and lack of clarity about program availability. Service to local citizens was disrupted.

For many organizations the programs funded through the CFP process represent large proportions of their budgets. Smaller organizations may, in fact, be highly reliant on the department for funding support while very large nonprofits may have millions of dollars, representing substantial portions of their budgets, at play in the CFP process. Since community organizations rarely, if ever, have access to core funding, they must rely on program funding to contribute to their basic operating expenses. The funding

uncertainty brought about by the CFP process consequently affects not only the program involved but also the overall viability of the organizations themselves. For example, one organization was forced to notify its landlord that it would be unable to renew its lease given its unsettled financial situation. Other organizations had to consider how they would manage their core operating expenses minus the contribution they could normally expect from these major contracts. Some organizations were prevented from entering into contracts with private partners. The ability of all organizations to engage in long term planning was impaired.

Such destabilization of community organizations is the polar opposite of what the sector hopes and expects from the federal government's emerging policy on CED and the social economy. The desire, of course, is for community organizations and government departments to join forces in finding lasting solutions to the challenges faced by individuals and communities.

Proposals

We look forward to the opportunity to discuss with you solutions to these concerns including:

1. Adopt as policy a commitment to build the long-term capacity of community organizations that seek to develop flexible, integrated responses to local human capital development challenges.
2. Complete the department's review of its program terms and conditions *before* tightening the interpretation of those terms and conditions in ways that threaten to eliminate valued community-based responses to local human capital development challenges. Make appropriate revisions in program design to allow the continuance of important community-based services.
3. Replace micro-management practices with results-based accountability: negotiate mutually acceptable program results with community organizations and allow these organizations appropriate latitude to apply resources and know-how to accomplish these outcomes.
4. Establish longer-term funding commitments (three to five years) with annual renewal tied to performance reviews that verify mutually agreed upon milestones are being achieved.
5. Better align the efforts of all facets of government, including the various components of the department itself, to better support integrated community-based strategies for human capital development.

