NGO Agreements – Current State Review & Suggested Next Steps

This document provides a summary of our review of the current state of NGO Agreement Management within Social Supports. The intent of conducting this review is to identify the "starting point" for establishing a robust NGO Agreement Management process such that the gap between current practice and the desired future state is well understood. In turn, this insight will facilitate the development of appropriate improvement and implementation actions.

Key activities carried out to complete this review include the following:

- Interviews with Social Services staff – Kaila de Boer; Wendy McIntire-Cowx; Anne Aram; Terry Creamer; Selena Kaytor; Will Friesen; Alanna Hennessey; Julie Candow; Madeleine Davidson; and Stephen Doyle;
- Review of current NGO Agreements;
- Initial review of Admin Fee model (further discussions scheduled);
- Review of Logic Models recently collected from several NGO's;
- Review of both financial and program reports from various NGO's;
- Review of YG Risk Template; and
- Review of several financial and risk templates developed by Madeleine Davidson

Key observations and conclusions are described below.

Key Observations

Transfer Payment Agreement (TPA) format and content (excluding schedules)

- Lack of clarity and common understanding within Social Supports of the existence of the most up-to-date version of the TPA template. As with other facets of the NGO Agreement process, there appears to be a lack of effective document management in place such that the most current version of the TPA is readily available and known to all concerned. What is assumed to be the "latest version" nonetheless has comments added to this Word document that are from a review/edit of the document carried out in early 2021 – as such, this current "final" version seems to be undergoing some form of active revision. Overall, the lack of document version control increases the risk of non-standard, unapproved agreements being utilized.
- A "short" version, also referred to as a "low risk" template, was found, albeit that it appears that this version was not commonly known to exist within Social Supports, and

was not found to be in use within the current group of TPA's. At the same time, the "full" version TPA appeared to be used for all existing NGO's, including several low-value and, presumably, low-risk agreements (in these instances, the full/long version likely exceeds what is contractually required and, we expect, is not being rigorously followed by either party);

- The content and format of the current TPA template appears to be overly complex and/or formal to most effectively meet the needs of both YG and the NGO. There is likely an opportunity to simplify and streamline the TPA content/format in a way that facilitates more effective agreement management for both YG and the NGO's, while maintaining a robust contractual relationship.

TPA Project content (Schedule A)

- Lack of consistent format and degree of detail regarding the description of services, deliverables, and outcomes. Greater emphasis appeared to be given to describing "what" the NGO was being funded to do (i.e. services to be carried out), with less emphasis and clarity regarding client outcomes and achievements;
- Recently, we understand that a number of NGO's have been instructed to produce Logic Models as a means of providing a more consistent and useful description of services, outputs, and outcomes – the results to date suggest that the NGO's, as a group, may not be sufficiently skilled at developing Logic Models, and necessarily take different approaches and utilize different formats;
- Overall, the Project descriptions were lacking in consistency and clarity, and in providing a solid foundation for measuring the value generated by the NGO's.

TPA Reporting content (Schedule D)

- The NGO's provide a variety of financial report formats at varying depths of detail to fulfill the financial reporting requirements of the TPA's. This variation of format and detail creates challenges for Social Supports to readily review and assess these reports. As well, the variation in the financial skills and capabilities across the NGO's further contributes to these challenges, as does the variation in budget structure found across the full set of NGO agreements;
  - o Madeleine Davidson has recently developed a standardized reporting template that connects to a standardized budget structure. This appears to be a significant steps towards improving and simplifying the reporting of financial information for the NGO's, and for the analysis of this information by HSS.
- Social Supports Managers "struggle" with being able to effectively review and analyze this financial information due to a combination of the variety of reporting formats,

together with a lack of time and mixed financial expertise. Madeleine Davidson has recently taken on the task of supporting the review/assessment of these reports and, given her strong financial expertise, has provided significant value to the Managers;

- Similarly, Managers struggle to keep up with the activity of reviewing project reports and of taking appropriate follow-up action. At the same time, these reports generally focus on describing the activity of the NGO, with little insight as to client-centered outcomes – as such, Managers have little to work with in terms of assessing the overall success of the NGO, and how to support the NGO to better achieve success for its clients.

Additional Observations

- Lack of process and discipline regarding tracking and management of documentation – TPA's; reports, invoices, etc. It appears that all TPA's are registered in front End, albeit that this was not common knowledge outside of Social Services Finance. Additionally, numerous examples were cited regarding documentation that has "slipped through the cracks" – for example, the recent overdue invoice from CNIB. Overall, there is an absence of an effective and robust document management system;
- Lack of clear roles and responsibilities regarding NGO agreements. In addition to the Managers who are seen as the "owners" of the various TPA's, a number of other resources are involved, including Social Services Finance; Corporate Finance; and Social Services Policy. Again, clear roles and responsibilities for all concerned are mixed.
- Lack of an initial Risk Assessment. Each NGO is unique in terms of the inherent risks to YG and its clients and, as such, these risks need to be clearly identified at the onset of forming the agreement, and appropriately managed over the life of the agreement;
- Lack of a structured and standardized Agreement Management methodology and associated set of processes/procedures. While agreements are routinely formed and NGO's carry out services for YG, the overarching method for establishing these agreements and for managing these agreements over time is fragmented and inconsistent.

Key Conclusions

- It is likely that **a high degree of financial, client, and/or reputational risk exists for HSS** with regards NGO agreements
    - o It will be necessary to identify the risks associated with each NGO, and to incorporate this insight into an agreement management plan to ensure that known risks are effectively mitigated;
- The **structure, content, and "formality" of the current TPA (long version) is likely contributing to the challenge of effectively managing these agreements**, and is very likely **being "over-used" for low-dollar and low-risk agreements** (when a "short" or similarly simplified TPA agreement would better suit the situation);
- The **lack of a structured methodology for managing NGO agreements is a significant impediment to improving the current situation**. It will be necessary to develop and implement an appropriate methodology and associated set of processes, procedures, and tools to enable any significant degree of improvement to be achieved;
- At the same time, **the level of resourcing allocated to NGO agreement management appears to be less than what is required to effectively manage the over $16 million per year spend**. Managers have readily "confessed" to doing the best they can "off the sides of their desks" and, further, also recognize that they need support to effectively manage the financial aspects of these agreements.
    - o While $16 million is a significant annual spend, the need for strong and effective NGO agreement management can also be measured in terms of the number of clients served, and the risks associated with utilizing external agencies to deliver services on behalf of HSS. As stated earlier, the degree of client and reputational risk is as critical as financial risk.
- **The systems currently supporting NGO agreement management are rudimentary and insufficient to properly support this work**. It will be essential for improving overall NGO agreement management to significantly improve the system/systems supporting this activity, either through the more effective use of existing systems such as Excel and SharePoint, or through the acquisition of a specific Agreement Management system.

Next Steps

Based on the key observations and conclusions described above, I suggest the following Next Steps for moving forward. My thinking is to concurrently move down 2 paths – one path will focus on getting ready for agreement renewals, as I understand that this will be a focus for the next few months, with the other path being the development of the longer term solution. These 2 paths will necessarily overlap, as elements of the "longer term solution" will appropriately be put in place as quickly as possible in a sequence that makes the most sense – for example, deciding on a Risk Assessment tool, and carrying out at least an initial assessment over the next few months on those NGO's that appear to present the largest risk (either financial, or by the nature of their clients and services), likely makes sense.

Immediate-Term Steps

- **Streamline the TPA template (long version)**
  - Ensure that all necessary contractual clauses/language are included and clearly stated;
  - Streamline and simplify language where possible;
  - Consolidate the financial reporting requirements into the Reporting Schedule (currently partially duplicated in the body of the template and the Reporting Schedule)
- **Validate and, as required, update the "short" TPA template**
  - Establish criteria for using the "short" version – likely to be based on a dollar-value threshold, and risk;
  - As required, update/revise content, and ensure coordination and consistency with the long version
- **Review full list of existing TPA's (extract from Front End) and prioritize for renewal action**
  - Assuming that it will be challenging to give all NGO Agreements the same degree of rigorous review prior to renewal, and that it is likely that some NGO Agreements will be more complex and/or time-consuming to finalize due to such activities as updating budgets, changing services, etc., the intent here is to conduct a "quick review" to enable these agreements to be prioritized for renewal action over the next few months;
  - Ensure that Managers and others are appropriately working through these agreements based on priority

- **Determine resourcing requirements for the Renewal Plan, and develop an associated Resource Plan**
    - o The intent here is to create a "NGO Agreement Renewal Team" – while it will likely include the same resources (Managers; Finance staff; etc.) that are currently involved, the idea is to form more of a team structure and to realistically identify the time that all resources can contribute to this effort so that these resources effectively "sign up" to contribute their required time. This is in contrast to continuing to have these resources "work off the sides of their desks";
    - o This Plan will also identify key resourcing gaps at an early stage, with the intent that action can be taken to fill any gaps (rather than assuming, or hoping, that the work will somehow get done)

These steps are focused on getting the set of NGO agreements into the "best shape possible" for the start of the new fiscal year, and of clearly identifying what work can get done prior to April 1st and what work necessarily needs to be scheduled for Q1 and perhaps beyond – for example, the development of a Logic Model and associated performance metrics may be appropriate to push off to Q1 for some NGO's, while for others it will be more critical to get these actions completed earlier.

Longer-Term Steps

- **Finalize the financial reporting requirements and associated template(s)**
    - o Utilize the work that Madeleine Davidson has done to date;
    - o Ensure that the Social Supports Managers are comfortable with the financial reporting and are provided with guidance for how to assess the results;
    - o Roll out to the NGO's, either as part of the TPA renewal, or shortly into the new agreement year such that they can report, for instance, Q1 results within the new template
- **Incorporate Logic Models into the Project description and associated reporting requirements**
    - o Standardize on the Logic Model format used by Social Supports
    - o Work with the NGO's to develop Logic Models and associated performance measurements (again, ideally by April 1st, but can be rolled out over Q1 or beyond)
- **Develop and roll-out an overall Agreement Management Life-cycle methodology and tool-kit**
    - o Key elements will include a Risk Assessment tool; a document tracking solution; appropriate resourcing; staff and NGO training etc.