

MAY 2023

# Reducing red tape for Ontario's nonprofit sector

## Briefing note for the Office of Red Tape Reduction and Small Business

Faster, better and more convenient services for communities are possible by reducing red tape for nonprofits.

### Issue

Ontario's nonprofit sector and provincial government share the goal of maximizing impact of and accountability for government investment, while minimizing inefficiencies. Yet, all nonprofits - from food banks to mini soccer leagues - face unclear, duplicative, costly, and complicated layers of red tape that drain time and resources away from innovating and better serving Ontarians.

Nonprofits are service providers, employers, stewards of volunteers, data, land, and other assets, and purchasers of goods and services. In all these roles and interactions with government, nonprofits face red tape as:

- **Nonprofit entities:** Red tape that impacts all nonprofits by virtue of simply operating a nonprofit, regardless if they receive funding from the provincial government.
- **Provincially funded organizations:** Red tape that stems from higher levels of administrative burden and work that does not deliver any additional accountability.
- **Delivery partners for multiple government-invested programs:** Red tape emerging in service delivery pertaining to a particular portfolio of programs such as supportive housing, home care, developmental services, or arts programming.
- **Frontline in community:** While on the ground, nonprofits witness first-hand red tape particularly impacting the vulnerable communities and clients they serve, such as applying for ID, required training and costs for food handling for volunteers, or accessing Ontario Works or the Ontario Disability Support Program.

Throughout our various engagements with the sector, we have heard that currently the sector-wide administrative pain points are related to the following topics:

- Administrative burdens in transfer payment agreements
- Unlocking the value of the [Transfer Payment Ontario \(TPON\) Portal](#)
- Disruptive Ontario Business Registry processes
- Costly and inaccessible police record checks

### Red Tape reduction ideas

#### 1. Reduce administrative burdens in transfer payment agreements (TPA)

##### A. Impact of TPA red tape

Currently, a minority of nonprofits in Ontario (approximately 12,000 to 15,000) have transfer payment agreements (TPAs) with the Ontario government or its agencies and 95 percent of social services expenditures flow through transfer payments.<sup>1</sup>

When done well, TPAs are simple, flexible, contain proportional oversight, and are built on accountability, reciprocal respect, and stewardship [principles](#) that the Transfer Payment Administrative Modernization office co-designed with Ontario Public Service and Ontario's nonprofit sector. TPAs should efficiently ensure accountability for the delivery of defined results while allowing flexibility for innovation and rapid response on the ground.

When done poorly, TPAs divert resources from producing results by creating work for nonprofits without delivering any additional accountability. For example:

- Funding applications that ask for information the government already has on file.
- Delays in delivering crucial funding creating cash flow challenges.
- Onerous approval processes for small budget changes that are inevitable when delivering innovative and flexible programs, and in times of crisis.
- Duplicative reporting requirements outside of the streamlined Transfer Payment Ontario system, particularly for nonprofits with multiple TPAs.

#### B. Scaling up existing government solutions

The Human Services Demonstration project (2016-2017) focused on programs delivered across four ministries by 36 low-risk nonprofit organizations that, between them, were managing 57 agreements with government. These organizations had good track records in terms of meeting service and budgetary requirements. The project tested three modest TPAM process improvements: eliminating the first-quarter report, enabling the budget to roll over from one year to the next, and reduced manual data submission while maintaining accountability. With these small changes, the project found that:

- Ministries saved an estimated 4.4 hours per agreement, and nonprofits saved 45.3 hours, when rolling over the budget/agreement.
- Nonprofits reduced time spent producing quarterly reports by an average of 11.3 to 55.0 hours, depending on the ministry. This is staff time they would then be able to reinvest in front-line service delivery if first-quarter reports were eliminated.<sup>2</sup>
- Overall reporting frequency was reduced by 50 per cent and contracts by 60 per cent.<sup>3</sup>

The Consolidated Audit and Reconciliation (CAR) pilot (2015-2016) was tested by the Treasury Board Secretariat and approximately 30 nonprofits. Nonprofits usually have to pay for a separate audit report for each provincially-funded program on top of the audit they conduct for their whole organization. This results in incremental administrative costs and the need to prepare various reports with different formats and levels of detail. One nonprofit estimated that government's additional audit requirements cost them 100 staff hours, plus \$37,000 in external audit costs at year-end.<sup>4</sup>

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<sup>1</sup> Ministry of Government and Consumer Services, Enterprise Financial Services Division, Transfer Payment Ontario Branch. "[Engagement with ONN and Member Organizations](#)." June 2021.

<sup>2</sup> Treasury Board Secretariat (TBS). "Human Services Demonstration Project: Pilot Results." Teleconferences with Participating Transfer Payment Recipients. January 19 & 25, 2017. Slide deck.

<sup>3</sup> Ministry of Government and Consumer Services, Enterprise Financial Services Division, Transfer Payment Ontario Branch. "[Engagement with ONN and Member Organizations](#)." June 2021.

<sup>4</sup> In 2016, the Ontario Federation of Indigenous Friendship Centres did their own internal study and documented how much staff time and extra auditing fees it was costing their centres to do funder-specific audit reports on top of

- The CAR pilot allowed each of the approximately 30 participating nonprofits (all in good standing) to commission a single audit of all programs submitted to different ministries that ensured traceability of all funds, without having to duplicate reports. The pilot was a success from the nonprofit sector's perspective, but was not repeated. To our knowledge, there has been no further movement in rolling out this cost and time-saving red tape reduction initiative.

These pilot projects addressed several unnecessary burdens, but did not address the many other elements of a more ambitious TPA red tape reduction initiative. Cost savings to government and red tape reduction for nonprofits would be much greater if more significant modernization were applied to funding agreements across the board.

### C. Maximize learnings from pilot projects and other jurisdictions

Since 2018, the province has been introducing more streamlined practices through the Transfer Payment Accountability Directive, [Transfer Payment Operational Policy](#) (TPOP), and [Transfer payment Consolidation Smart Initiative](#). While these frameworks represent incremental improvements, there remains much work to be done. From our sector's perspective, there is no consistent application and uptake across ministries of these directives, policies, and initiatives, and there remain too many exceptions and loopholes that mean rules and regulations are not consistent across programs. Well-meaning projects, like the Human and Social Services Transfer Payment Initiative, fall off and lessons learned from successful pilots highlighted above are not implemented across the board.

At the federal level, nonprofits have praised Immigration, Refugees, and Citizenship Canada for scaling up programming during the Syrian refugee crisis without cumbersome TPA changes. As the provincial government moves forward with emergency management and preparedness priorities, it would be critical for them to review their TPA change procedures to see if they are well suited for rapid scaling during emergencies.

South Australia has had great success in taking a partnership based approach to their funding relationships. Research highlights how flexibility in funding lines, and emphasizing trust, relationships and outcomes, is better than a top-down control mindset, when South Australia is compared to other states in Australia.<sup>5</sup>

### Solutions for Treasury Board Secretariat:

- Apply TPA changes piloted in the Transfer Payment Administrative Modernization pilots across all TPAs such as reduced reporting requirements, budget flexibility, and streamlined agreement renewal for funded nonprofits. It is currently guaranteed under the TPOP for "low risk" organizations offering "low risk" programs, which excludes many human services and leaves an onerous reporting burden on the rest.
- Incentivise ministries to align with the TPOP while empowering an office to see its implementation across government.

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their organizational audit. They concluded that "Elimination of additional program specific reporting at year end would save \$37,000 and more than 95 hours of OFIFC finance staff time," (email correspondence).

<sup>5</sup> Curtin University of Technology. ["Redefining Government-Community Relations through Service Agreements."](#) 2003.

- Implement umbrella agreements for all nonprofits that are multiple TPA holders, something the [Ontario government has expressed a commitment to developing](#). There are 5,000 Ontario nonprofits that currently have agreements with more than one provincial ministry.<sup>6</sup>
- Institute and encourage multi-year TPAs so nonprofits can better plan and government doesn't have to manage annual TPAs.
- Create an adequate benchmark for renewing TPAs and delivering payments so organizations are not operating without funding agreements or uncertainty leading to program delays and staff layoffs.
- Implement global budgeting (i.e., fewer, larger budget categories instead of micro-budget categories that are not consistent across programs) that enables nonprofits to focus on performance management and rapid response instead of duplicative compliance requirements.
- Implement a common chart of accounts, including cross-government standards to guide indirect/administrative cost definitions and thresholds, which currently vary widely across ministries/programs.
- Only ask for data through TPAs that government plans on using, as collecting data is costly and time consuming.

## 2. Unlocking the value of the [Transfer Payment Ontario \(TPON\) Portal](#)

The creation of the TPON system, as a key digital solution that enables transfer payment agreement transformation, was a crucial step towards cutting red tape. ONN has worked with the TPON Branch (formerly Grants Ontario) since 2015 to provide nonprofit sector input in the use, planning, and development of the system. While meaningful progress has been made, it remains a priority to ensure that the value of TPON to the sector and government is continuously maximized. As of 2019, a very high number of ministry grant programs did not use the risk assessment module (97%), the performance measures module (72%), or the standardized contracts (100%) contained in the system.<sup>7</sup> As of 2021, only 22 ministries are using TPON to administer TP programs.<sup>8</sup>

The province is missing out on one of the intended benefits of the centralized system—sharing information to support better decision-making across government. Based on our discussion with the Transfer Payment Ontario Branch, its goal is to get all ministries to use all applicable modules of the system. However, the Branch can only encourage ministries to use the modules because its role is to support the ministries and not to enforce use.

### Solutions for the Ministry of Public and Business Service Delivery

- Grow the number and types of programs meeting standardized business processes.
- Train program officers across government on the full range of TPON portal functions so that 1) nonprofits are no longer asked for information that has already been uploaded to the portal (e.g., organizational “tombstone” information, audited financial statements) and 2) financial reporting is conducted via standard templates rather than via emailed spreadsheets and tables.
- Integrate the TPON portal into all ministry sites and the ServiceOntario portal.

<sup>6</sup> Treasury Board Secretariat (TBS). “Proposed Operational Policy for Transfer Payment Administration: ONN Update.” September 29, 2017. Slide deck. P. 3.

<sup>7</sup> Office of the Auditor General of Ontario. “Oversight of Time-Limited Discretionary Grants: 2019 Value-for-Money Audit.” December 2019. [https://www.auditor.on.ca/en/content/annualreports/arreports/en19/v1\\_311en19.pdf](https://www.auditor.on.ca/en/content/annualreports/arreports/en19/v1_311en19.pdf)

<sup>8</sup> Ministry of Government and Consumer Services, Enterprise Financial Services Division, Transfer Payment Ontario Branch. [“Engagement with ONN and Member Organizations.”](#) June 2021.

- Create a process whereby all regulatory compliance reports (e.g., Sunshine list, AODA accessibility progress reports) are submitted via the TPON portal once annually for all ministries.

### **3. Eradicate disruptive processes in the Ontario Business Registry**

Since the Ontario Not-for-profit Corporations Act (ONCA) was proclaimed over a year ago, we have received considerable feedback on the implementation of the legislation through our partnership with Community Legal Education Ontario (CLEO). CLEO has carried out over 75 workshops for over 4,000 participants in diverse sectors across the province, answering approximately 1,200 individual questions.

We have consistently heard of difficulties for users in navigating the Ontario Business Registry and their inability to obtain the help they need from ServiceOntario agents after long wait times, sometimes receiving inaccurate or conflicting information from government staff. This process is wasting time and resources that nonprofits can better utilize for serving Ontarians, especially in this current moment when services are stretched thin. Additionally, there are a number of minor but disruptive processes built into the ONCA. Eliminating this red tape is urgent as all 58,000 nonprofits have to register and bring their bylaws into ONCA compliance by October 2024.

#### Solutions for the Ministry of Public and Business Service Delivery

- Allow nonprofits to file a notice of change without a Company Key by mailing in a form, if it's to correct their address to gain access to the Ontario Business Registry. This may save the nonprofit sector an estimated \$1.96 to \$5.1 million dollars.<sup>9</sup>
- Eliminate the arbitrary requirement to have a "chair" position in the online form. Many nonprofits do not have this position and are confused about what introducing it means for their governance. If they fail to have the position the OBR will reject their annual reports and notices of change.
- Allow nonprofits to list PO boxes as their registered address, as rural and small nonprofits do not have access to reliable mail service at a physical address.
- Work with ministries who oversee special Act corporations, such as OMAFRA and MTCS to issue public information (not advice) on how ONCA interacts with special corporate statutes such as the Agricultural and Horticultural Organizations Act and the Ontario Historical Societies Act. Confusion in this area is potentially causing hundreds of organizations (at least 560) to need to spend thousands of dollars on the few lawyers with expertise in special Act corporations. This could therefore save the sector between \$1-2 million.
- Insert a field in articles of incorporation, amendment and related forms for membership classes to avoid costly errors for nonprofits that unwittingly fail to add this information.
- Designate 2-4 customer care specialists within ServiceOntario to address the specific needs of nonprofits, and improve training materials to mitigate risk of error.

### **4. Make it easier to access police record checks**

Before the COVID-19 pandemic, five million Ontarians donated 820 million hours. According to our recent sector-wide survey, 62 per cent of organizations have lost volunteers, with the largest impact seen by

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<sup>9</sup> It costs 232.85 plus tax through eCore Dye & Durham and \$150 plus tax through ESC Corporate Services for a notice of change, which is necessary in order to change the address to get the CompanyKey to be able to do the filings oneself. Consequently, for those organizations whose address on the registry is out of date, just gaining access to the OBR could cost the sector between 1.96 -5.1 million.

health, sports, and faith organizations. More than half of respondents reported having difficulty recruiting new volunteers, and 40 per cent reported having difficulty convincing previous ones to return.<sup>10</sup>

Government can attempt to reverse this trend by removing costs and lengthy processing timelines associated with police record checks (PRC) that are part of volunteer screening. Volunteers pay too much and wait too long for their clearance. We have heard from nonprofits that some police services process checks in days, while others take 10 weeks or more. There is also significant variability between jurisdictions in terms of the fees charged to volunteers — half the police services in the province still charge prospective volunteers for this service, which can cost up to \$70 each. The PRC system is often paper-based, taking up valuable police time and energy. Police forces and municipalities could save money if this process was digitized across the board and, in the process, reduce costs for volunteers.

#### Solutions for the Solicitor General

- Eliminate fees for level three (vulnerable sector) checks for volunteers and decrease lengthy processing timelines for police record checks through regulations under the Police Record Checks Reform Act.
- Mandate that the police record check system be modernized and digitized via regulations under the Police Record Checks Reform Act 2015, that would control the cost and administrative burden, and harmonize the process across Ontario jurisdictions.

#### **Conclusion**

Eliminating layers of red tape for nonprofits will allow the government and the sector to better serve Ontarians. ONN's red tape ideas are a reflection of what we have heard from nonprofits across Ontario, to date. We would be pleased to continue working with the Ontario government to further engage the sector to surface more ideas through additional consultations, and to test and roll out red tape reduction initiatives. Nonprofits are eager to work with government, to ensure faster, better and more convenient services for Ontarians.

#### **About ONN**

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.

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<sup>10</sup> Ontario Nonprofit Network (ONN). "State of Ontario's nonprofit sector in 2022."  
<https://theonn.ca/topics/past-work/covid-19-resources/covid19-pandemic-surveys/>