

2005 TROPMAN REPORTS

Applied Research about the Pittsburgh Region's Nonprofit Sector

THE COST OF MEETING COMPLIANCE: *A Case Study of Challenges, Time Investments, and Dollars Spent*



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Management, especially how it relates to staff time investments tracking outcomes and reporting results, is not clearly understood across the nonprofit sector (Gawande & Wheeler, 1999). To date, there is no systematic study that examines investments made by nonprofit staff to meet funder compliance. Recently, the Stanford Project on the Evolution of Nonprofits (SPEN) at Stanford University completed a two-year investigation of nonprofits in the Bay Area and found that many funders differ in their demands for meeting compliance, which created conflicting demands (Gammal, Simard, Hwang, & Powell, 2005). However, the study did not examine the amount of time nonprofit leaders spend on such activities or how much of the funding resources are used toward such activities. Thus, both nonprofits and funders alike have not been able to quantify, in dollars, how much is invested in meeting compliance. To address this gap, The Forbes Funds commissioned Sandraluz Lara-Cinisomo to conduct a research case study of one Pittsburgh-area nonprofit to determine how the organization makes staffing decisions and carries out compliance-related activities; how much time is invested in these tasks; and how this time translates into dollars spent.

This study is guided by five research questions:

1. How are staffing decisions, as they relate to compliance tasks, made?
2. What are the staffing challenges in meeting funder compliance?
3. What are the data challenges in meeting funder compliance?
4. What is the subjective experience of staff who are meeting compliance?
5. What are the overall costs, in time and dollars, of meeting compliance?

RESEARCH DESIGN

Qualitative and quantitative data was collected to answer the five study questions.

Site

Providing for Families¹ (PFF) serves communities in Western Pennsylvania. Like many nonprofits in the Pittsburgh area, PFF receives funding from a variety of agencies, including the county, state, private foundations, and the United Way. Each of these funding sources provides for a range of services. In some instances, one funding source may provide for numerous programs, while other funders may limit the activities. Staff interviewed in this study, all of whom engage in compliance, may be paid by numerous funding sources. Therefore, results of this study are for combined funding for fiscal year 2004–2005, rather than by funder type or source.

¹ Pseudonym

Sample

For this study, three types of employees were interviewed: Directors, Supervisors, and Field Staff. These individuals were selected because they are directly involved in funder compliance activities.² Individual interviews were conducted with Directors and Supervisors. Focus group interviews were conducted with Field Staff. A total of 41 staff members were interviewed: seven Directors, seven Supervisors, and 27 Field Staff.

Procedures

A structured interview consisting of open- and closed-ended questions was administered to Directors and Supervisors. Field Staff were interviewed in focus groups because these types of discussions allow researchers to get at participants' insights regarding complex issues (Keim, Swanson, Cann, & Salinas, 1999), such as challenges in meeting funder compliance. Focus groups also included open- and closed-ended questions and included a demographic survey.

Data Analysis

Qualitative Analysis: The qualitative data was aggregated and summarized to provide an overall perspective for all staff.

The purpose of the qualitative interview was to provide funders with real life experiences. For each open-ended question, responses were grouped into meaningful categories. Those derived categories were used to summarize the qualitative data.

Quantitative Analysis: Evaluations of nonprofits have not considered the costs of meeting compliance. Yet, cost information is essential for understanding the resources required to meet compliance and for analyzing the cost-effectiveness of a nonprofit. Cost was calculated for hours spent carrying out compliance tasks for fiscal year 2004–2005. The amount of time management and field staff spent on compliance tasks was calculated, including wages invested on these activities and as a total.

FINDINGS

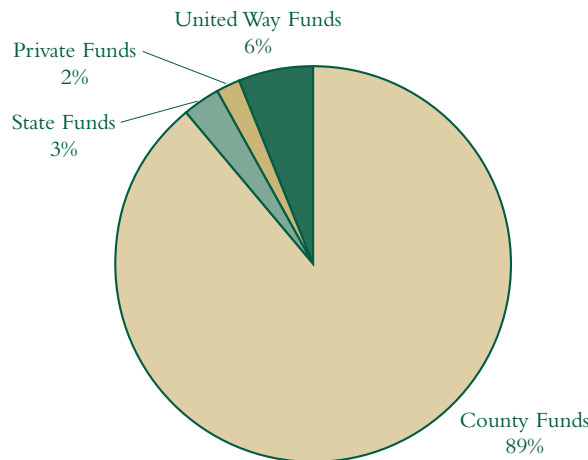
Descriptive Statistics

An equal proportion of Directors and Supervisors were interviewed (17%), with 66 percent of the participants belonging to the third type of employee, Field Staff. The majority (63%) of the participants were white, non-Hispanic, followed by black, non-Hispanic (32%). A very small sample of Hispanics and “other” were also interviewed. The vast majority of the participants had a college degree or higher. More than half of the sample was female (78%). Participants' ages ranged from 24 to 57 years of age with a mean of 37.61. Personnel salaries show that the mean annual income for Directors was \$69,000. On average, Supervisors earn \$43,475 per year. The mean annual income for Field Staff is \$29,821. On average, staff at all levels reported 46.26 hours per week.

Agency Revenue

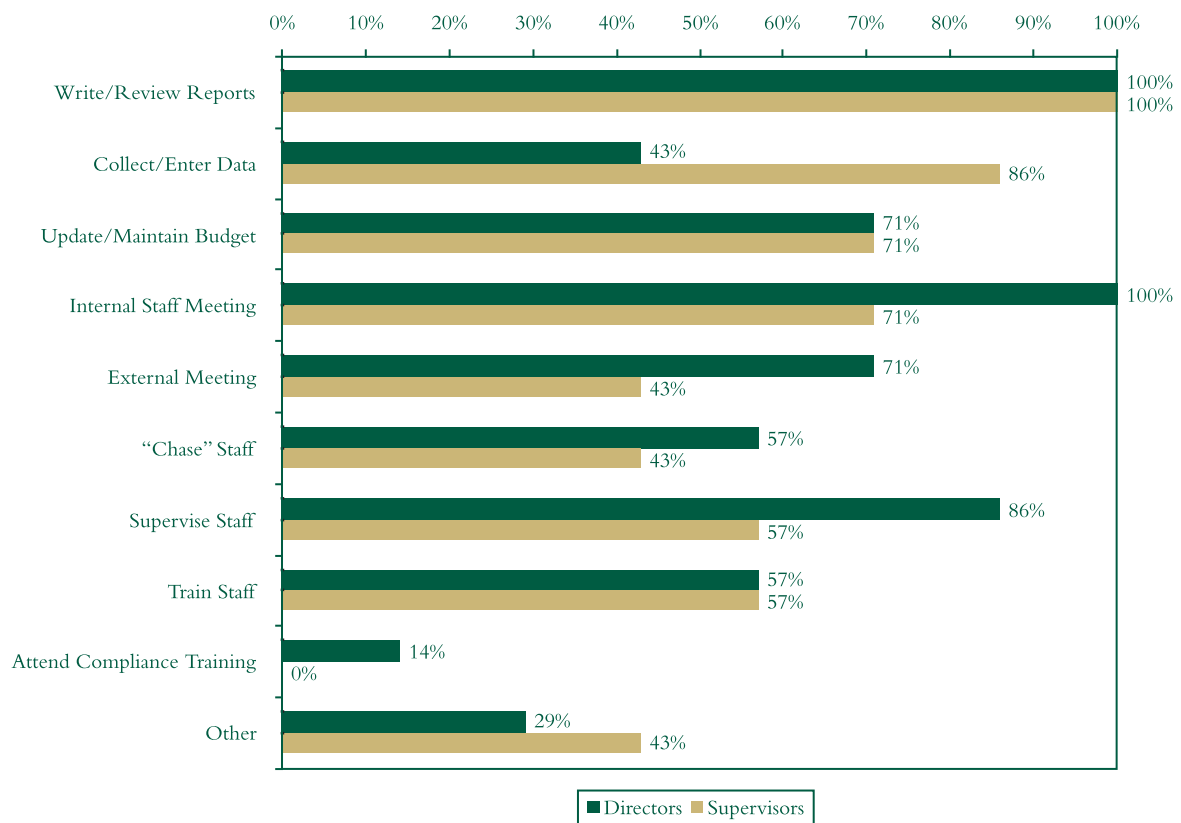
Providing for Families is a nonprofit organization that has several sources of revenue. Figure 1 shows the distribution of the four major revenue sources: county, state, private- and United Way funds. Revenue from the county includes funds that are provided through government and the Office of Children, Youth, and Families. State funds are comprised only of VOCA (Victims of Crime Acts). Private funds include foundation dollars and restricted grants. United Way dollars are comprised of donations and allocations by and through the United Way. The total revenue from these funding sources is \$6,554,518. The vast majority (89%) of the agency's revenue is comprised of county funds, which pays for the majority of the programs offered by the organization. The smallest proportion of revenue comes from private funds, totaling \$418,636. Clearly, all funds also go toward paying for non-wage benefits, facilities expenses, and other operating costs. However, for the purposes of this report, revenue from these sources was used only to determine the percent of revenue used to pay for time invested in compliance activities.

FIGURE 1. DISTRIBUTION OF AGENCY REVENUE SOURCES INCLUDED IN STUDY



² Administrative Assistants often provide support for such activities. However, for the purpose of this study, Administrative Assistants were not interviewed.

FIGURE 2. DISTRIBUTION OF MANAGEMENT ENGAGEMENT IN COMPLIANCE ACTIVITIES



Compliance Tasks

Staff were asked to describe the types of compliance activities they engaged in during the last fiscal year. The majority of those activities fell within one of the ten categories listed in Figure 2. The figure provides a summary of management staff, which includes Directors and Supervisors, engaged in the various compliance tasks. Results for Field Staff, who were interviewed as a group in focus group discussions, are reported below. Without exception, there was no discrepancy within groups primarily because focus groups were organized by program type, such as on-site therapists and in-home therapists, where personnel have the same responsibilities.

Figure 2 shows that all management staff are responsible for writing reports and reviewing staff reports. The majority of Supervisors (86%) are responsible for collecting and entering data, such as the number of families serviced. An equal proportion of Directors and Supervisors (71%) are engaged in budgetary tasks, such as tracking program expenses. In contrast, the majority of Directors (57%) are responsible for attending external meetings regarding funder compliance or related to compliance. More than half of the Directors reported having to “chase” the staff they supervised, including Supervisors, for data and reports necessary for funder compliance. While it may be implied that Directors and Supervisors are responsible for other staff, only 86 percent and 57 percent, respectively, said they supervise tasks regarding compliance activities. Equal proportions (57%) said they train staff on funder compliance tasks, such as writing reports or collecting data.

Only 14 percent of the Directors said they attend training sessions specifically regarding compliance regulations; none of the Supervisors reported engaging in this activity. Twenty-nine percent of Directors and 43 percent of Supervisors said they carry out “Other” compliance activities, such as responding to funder requests and calling clients.

All Field Staff reported writing reports. The majority (60%) of the groups said they collect and enter data to meet funder compliance updates and maintain the budget. Sixty percent said they train other staff on compliance activities. Eighty percent said they attend internal staff meetings. In contrast, 60 percent said they do not attend external compliance trainings. Fewer than half said they spend time chasing staff for information or supervising other staff.

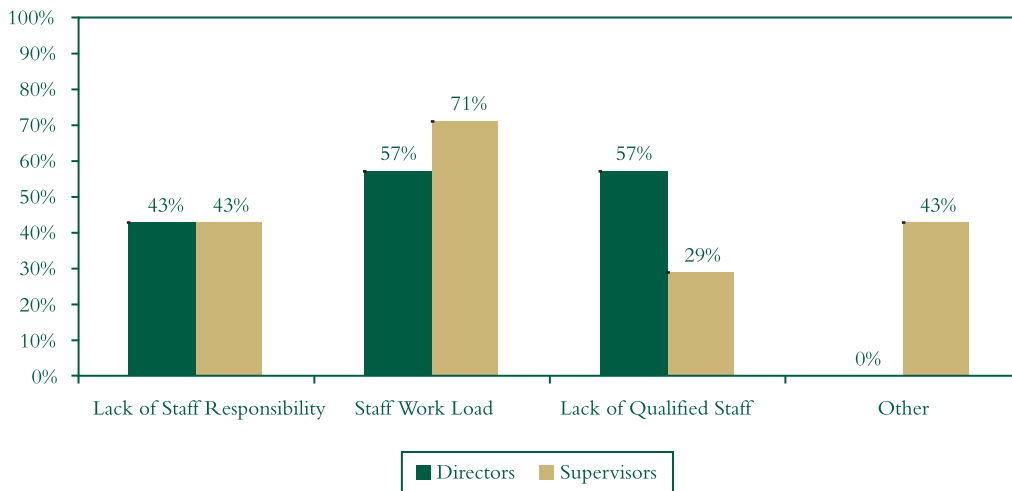
Staffing Decisions Related to Compliance

With the exception of one Director, all other Management staff said they were responsible for delegating compliance tasks to staff. For those who reported delegating tasks, all said they delegate based on staff job descriptions. One Director reported using additional criteria for delegating tasks, such as individual staff skills, staff ability, flexibility, and receptiveness to requests. Two Supervisors said they also use staff members’ prior experience and training as criteria.

Staffing Challenges to Meeting Compliance

Management staff were asked about the staffing challenges they face with regard to compliance activities. Four staffing challenges were derived from the qualitative data collected

FIGURE 3. STAFFING CHALLENGES REPORTED BY MANAGEMENT



from Directors and Supervisors: Lack of Staff Responsibility, Staff Work Load, Lack of Qualified Staff, and Other minor challenges (see Figure 3). Results indicate that a higher proportion (57%) of Directors than Supervisors feel that Lack of Qualified Staff is a staffing challenge. In comparison, more Supervisors (71%) said that Staff Work Load was a challenge to getting staff members to carry out the required compliance activities. Clearly, this discrepancy reflects the role Directors and Supervisors have within the Agency. Directors are responsible for overall management of their respective programs and for providing a summary of program results reported by Supervisors and Field Staff and may have little to no contact with Field Staff. Supervisors, on the other hand, have regularly scheduled meetings with Field Staff, which provides an opportunity to learn about the challenges faced by their staff.

Interestingly, the majority of Field Staff reported a lack of training on compliance activities. The results indicate that all 27 Field Staff members who participated in the focus group discussions said they were not trained by their direct Supervisor to write reports, collect or enter data, or maintain or track their budget (i.e., expenses). Instead, 69 percent of participants said they were informally trained by a peer from their respective teams. Thirty-one percent said they experienced no formal or informal training.

General Compliance Challenges

All staff respondents were asked about the general challenges they face when carrying out the various compliance activities. Staff reported four primary challenges to meeting compliance, including Funder Requirements, Lack of Agency Protocol, Internal Staff, and Other minor challenges, including case management load. Results indicate that the challenges reported by Management and Field Staff differ. Management sees a Lack of Agency Protocol as the primary barrier to meeting funder compliance. In contrast, Field Staff see Funder Requirements as the main challenge.

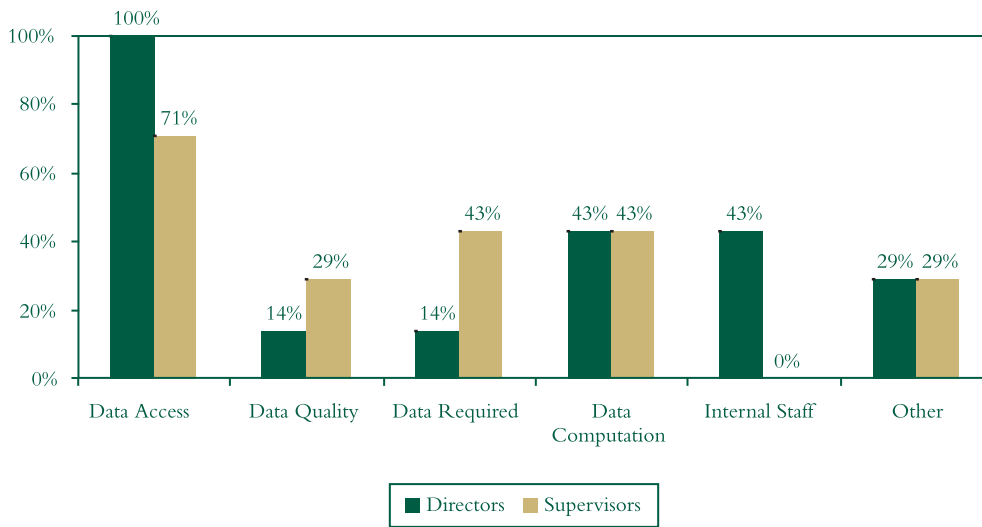
Data Challenges

Staff were asked about the data challenges they experience when meeting funder compliance. Six types of data challenges emerged from the data: Data Access within the Agency, Data Quality within the Agency, Data Required by the Funding Source, Data Computation methods necessary for staff, Internal Staff, such as reluctant personnel, and Other data challenges, including personal conflicts with sharing client data. Figure 4 shows that all Directors perceive a lack of access to the data as a challenge to meeting funder compliance; close to three quarters of Supervisors agree with this perception. With regard to other data challenges, Directors see issues related to data computation as another barrier. In addition, Directors said that reluctant staff also create data challenges. Supervisors reported data requirements and data computation methods as additional challenges.

TABLE 1. DISTRIBUTION OF GENERAL CHALLENGES

DESCRIPTION	DIRECTORS (N=7)	SUPERVISORS (N=7)	FOCUS GROUPS (N=5)
Funder Requirements	43	43	80
Lack of Agency Protocol	71	71	60
Internal Staff	43	14	60
Other	14	29	40

FIGURE 4. DATA CHALLENGES REPORTED BY MANAGEMENT



Focus group participants reported data challenges that fell within three categories: data quality, data type, and “other” (results not shown). All focus groups reported “quality of internal data” as a challenge. Twenty percent of focus groups reported data type as a challenge; 20 percent also reported “other” data challenges.

Staff Subjective Experiences

According to individual interviews with Management and focus group discussions with Field Staff, five types of experiences were derived from the data: stressful due to funder requests; stressful due to a lack of agency protocol related to compliance activities; routine; rewarding as a result of serving families or completing a required report; and other, including challenges when working with uncooperative clients. Table 2 shows results for this research question. More than half of Directors interviewed said their most recent compliance task was stressful due to funder requirements. In contrast, Supervisors said their most recent experience was stressful due to a lack of agency protocol, but also perceived the task as routine or part of the job. Directors may feel more strain by requests made by funders because they are often the contact person for a given funder. Supervisors are primarily responsible for supervising staff and providing results to their respective Director.

Interestingly, Field Staff said they felt stress related to funder requirements because they are responsible for collecting data requested by the funding source and can be penalized for not adequately responding to those requests.

Cost of Meeting Compliance

To calculate the cost of meeting funder compliance, staff hours on related tasks were collected, as were staff annual salaries. During the last fiscal year (2004–2005), respondents spent close to 44 percent of their time on compliance activities. Translated into dollars, the Agency spent \$742,556 or 11 percent of the annual budget (\$6,554,518) on compliance or salaries of staff related to compliance. The annual budget includes funds from four primary sources, including the county, the state or VOCA, private funds or foundations, and the United Way. Figure 5 shows the average annual amount spent for each task for Management Staff. Results indicate that the largest average expenditure goes toward paying for time spent writing and reviewing reports. The smallest investment was attending trainings related to compliance.

RECOMMENDATIONS

It is clear that internal measures are necessary for decreasing the strain on staff and increasing staff performance with regard

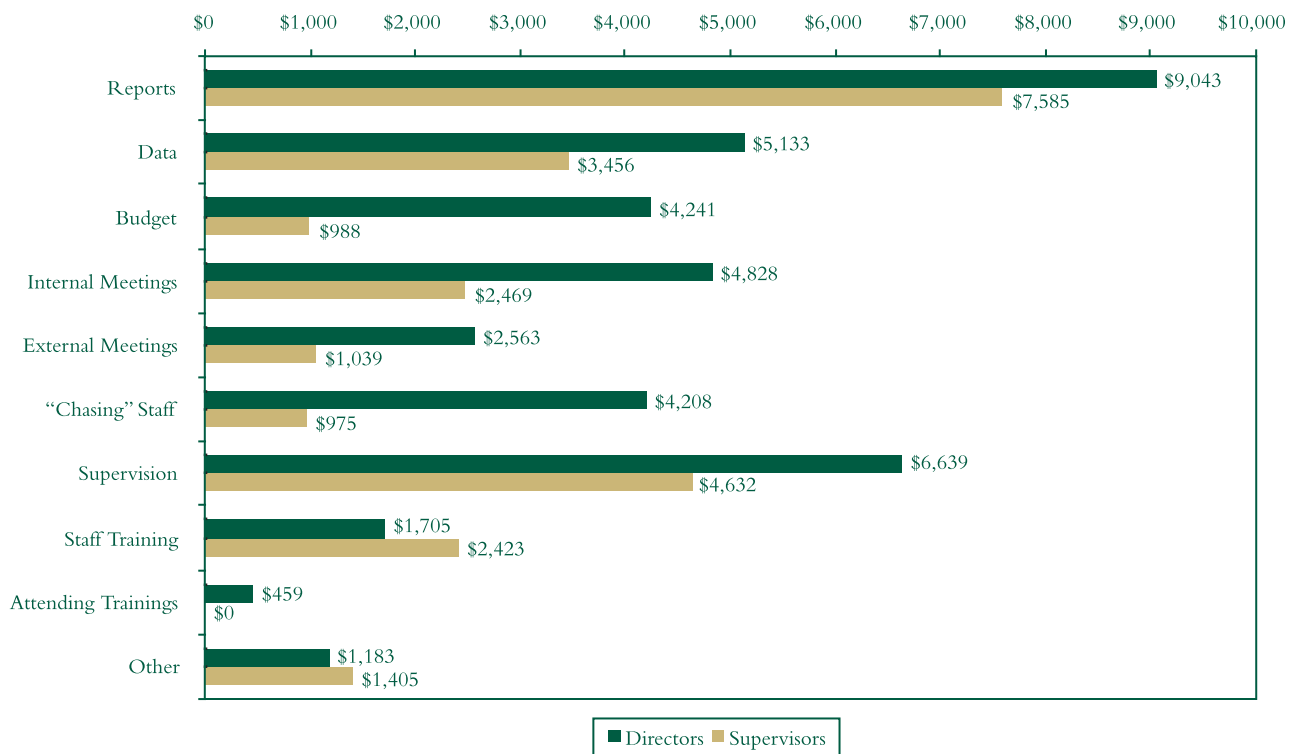
TABLE 2. DISTRIBUTION OF STAFF’S SUBJECTIVE EXPERIENCE

DESCRIPTION	DIRECTORS ³ (N=5)	SUPERVISORS ⁴ (N=6)	FOCUS GROUPS (N=5)
Stressful due to funder requests	60	16	80
Stressful due to lack of agency protocol	40	67	20
Routine	20	67	20
Rewarding	0	16	40
Other	20	0	40

³ Two Directors did not provide a response to this question.

⁴ One Supervisor did not provide a response to this question.


FIGURE 5. AVERAGE ANNUAL EXPENDITURES ON COMPLIANCE TASK FOR MANAGEMENT STAFF



to compliance activities. Additionally, while the study site has plans to launch an agency-wide data system, vital infrastructure and personnel matters must be addressed prior to or in conjunction with the data system, such as developing a clear internal protocol for meeting funder compliance. It is recommended that other nonprofits in the region use the data collected herein to examine the challenges their respective staff face in meeting funder compliance and provide solutions to those barriers, which may save the organization substantial staff time and financial investments.

With regard to funders, it is recommended that funders, large and small, evaluate their data collection methods, as well as type of requests, to ensure they collect pertinent data that will inform all parties involved (e.g., agency, funder, client, and staff). Put plainly, funders who know agency services and staff demands well are better positioned to make simple and specific requests that elicit meaningful and useful information.

ACKNOWLEDGEMENTS

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