This product is part of the RAND Corporation monograph series. RAND monographs present major research findings that address the challenges facing the public and private sectors. All RAND monographs undergo rigorous peer review to ensure high standards for research quality and objectivity.
Meeting Funder Compliance

A Case Study of Challenges, Time Spent, and Dollars Invested

Sandraluz Lara-Cinisomo, Paul Steinberg

Supported by the Forbes Funds, a supporting organization of the Pittsburgh Foundation
The research described in this report was supported by the Forbes Funds, a supporting organization of the Pittsburgh Foundation, and through the RAND Corporation’s continuing program of self-initiated independent research. This research was conducted within RAND Labor and Population, a unit of the RAND Corporation.

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND’s publications do not necessarily reflect the opinions of its research clients and sponsors.

RAND® is a registered trademark.

© Copyright 2006 RAND Corporation

All rights reserved. No part of this book may be reproduced in any form by any electronic or mechanical means (including photocopying, recording, or information storage and retrieval) without permission in writing from RAND.
Introduction

Funders provide financial support to nonprofit organizations, which, in turn, use the funding to implement programs that provide services to clients. A key part of this relationship is the need for nonprofits to ensure funding compliance—that is, the need to report program progress and expenditures to funders. While meeting funding compliance is clearly an issue, we do not clearly understand the management process within the nonprofit sector, especially how it relates to staff time investments in tracking outcomes and reporting results. To date, there is no systematic study that examines investments nonprofit staff make to meet funder compliance.

According to Charity Navigator, which charts the performance of nonprofits, there are 193 charitable organizations in Pennsylvania (Charity Navigator, undated). The Forbes Funds has taken the initiative, by creating the Tropman Fund for Nonprofit Research, to develop and fund research projects that will inform the larger nonprofit community. Previous studies have explored capacity-building barriers and recommendations, performance in nonprofit organizations, and other relevant topics, and have helped inform the larger nonprofit community. To add to this body of literature, the Forbes Funds commissioned the RAND Corporation to conduct a case study of the challenges, time spent, and costs associated with meeting funder compliance.

By nature, a case study enables researchers to explore areas in which little or no empirical data exist. This study exploits the inherent attributes of a case study to explore the experiences of staff meeting
funder compliance, challenges in meeting funder compliance, and staff time investments in such activities, and solicits staff recommendations at the agency and funder level. Inherent in the case study methodology is the size of the sample. Thus, case studies tend to have fewer observations than other methodologies. In this study, we focus on one large site to examine in depth the challenges in meeting funder compliance, as well as time and dollars invested in meeting compliance. This study is guided by five research questions developed in partnership with the Forbes Funds:

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

The results reported are based on qualitative and quantitative data. Management and field staff from a local nonprofit were interviewed: management staff (seven directors and seven supervisors) were interviewed individually, and field staff (27 staff members providing direct services to families either off or on site) were interviewed in five focus groups during normally scheduled meeting times.

**Key Findings**

What we found is that staffing decisions are predetermined by a person’s job description. Staffing challenges ranged from poor staff performance to overwhelmed staff. A closer examination of staff training showed that staff members report that they are not receiving adequate training for certain required tasks, which might explain why management staff reported field staff shortcomings as a staffing challenge.
General challenges reported included all parties involved—funders, the agency, and internal staff—suggesting that no one entity or group is primarily responsible for challenges experienced by staff. However, these challenges varied among staff. Management staff felt that the lack of internal agency protocol is a key factor, while field staff saw funders as the primary barrier and put equal burden on the agency and internal staff.

Numerous data challenges were cited by staff interviewed for this study, including limited access to necessary data, inadequate internal data, poor data computation methods, tedious data requested by funders, and unreliable internal staff. The primary data challenge for management staff was access to the data, while field staff said that the quality of the data was their primary challenge.

With regard to the organization’s last compliance activity, five types of experiences were expressed, with the majority of directors and field staff reporting that the experience was stressful because of the type of data funders requested or because of the short turnaround time allowed to provide the necessary data. Supervisors said they experienced stress resulting from a lack of internal agency protocol and from the routine nature of their last experience. Our study found that 11 percent of the organization’s funds were spent on compliance activities. While 11 percent may be difficult to situate because of a lack of comparison data, this study is one of the most accurate accounts of one organization’s compliance-related expenditures, making future comparisons possible.

**Recommendations**

Based on staff response to questions about challenges to meeting funder compliance, it is clear that internal measures are needed to decrease the strain on staff and increase staff performance with regard to compliance activities. While the study site has plans to launch an agency-wide data system, there are vital infrastructure and personnel matters that must be addressed in conjunction with the data system. We recommend that other nonprofits in the region use the data collected to
examine challenges their respective staff face in meeting funder compliance and provide solutions to those barriers.

With regard to funders, we recommend that they evaluate their data collection methods and type of requests to ensure the collection of pertinent data that will inform all participants (i.e., agency, funder, client, and staff), consider the burden placed on staff, consider how the data requested are being used, and consider having discussions with clients related to compliance that are sensitive to the power differential between agency and funder.

**Next Steps**

As a result of this study, survey items were developed that can be piloted with a random selection of organizations and revised for implementation with a larger sample of nonprofits. The instruments in the appendixes will serve as a guide for further investigation. Additional items about the cost of materials and facilities (e.g., rent, utilities, etc.) will be required for a more detailed analysis of the cost of meeting funder compliance. Finally, this case study exploits the experience of only one side of the process, the nonprofit side, which calls for an exploration of the compliance process from the funder side.