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How Long is a Piece of Red Tape? The Paperwork Reporting Cost of Government Grants

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This study quantifies the time and cost of government generated paperwork for Queensland nonprofit organisations. Fourteen Queensland nonprofit grant recipients kept logs to record government generated paperwork as they completed forms over a 12 month period in 2005. The grant recipients also provided, through a series of interviews, their experiences of government paperwork and in particular grant submission and reporting processes.

How long did the organisations spend on completing government paperwork?

In summary, over the 12 months, the 14 organisations together reported taking an average of 143.57 hours (median of 95 hours¹) to complete government generated paperwork. The average time taken per form was 5.05 hours, but with a median of 1.00 hour.

How many forms were completed by organisations over the year?

The fourteen NPOs completed:

- 46 grant submissions (on average taking 15.17 hours to prepare);
- 157 grant acquittals (average 6.04 hours per acquittal);
- 90 tax forms (average 1.87 hours per form); and
- 111 'other' forms, e.g. database information on client services for Health or Disability Departments (average 1.88 hours).

Grant submissions and acquittals together made up just over 50% of all compliance paperwork for NPOs.

To which level of government were forms submitted?

60% of compliance forms were submitted to state government; 34% to the Commonwealth; only 1% to local government; and 5% to both state and Commonwealth.

What is the cost of compliance?

We found the cost of government generated paperwork to be an average of 1.74% of an organisation's total revenue. This does not include volunteer time because of the difficulties

¹ The median is the middle of a distribution: half the scores are above the median and half are below the median. A median that is lower than the statistical average (mean) indicates that the distribution of responses is skewed, with several large responses inflating the average.

with its measurement and valuation. Submissions (0.85%) and acquittals (0.73%) had the largest average costs.

Is there a difference in compliance costs between small and large NPOs?

Yes. The average cost of compliance for small organisations was 2.76% of revenue, compared with large organisations at 0.36% of revenue—that is, 7.6 times greater for small organisations. This finding is consistent with what other researchers have found in small business, both in Australia and elsewhere.

Why do smaller organisations have higher compliance costs?

One reason for the greater costs of compliance in small organisations relates to who did the work. In small organisations the CEO or manager (on a higher hourly rate) did more of the compliance work (31%, compared with 11% in large organisations). In larger organisations, where division of work was more specialised, much of the compliance was done by the finance manager (47%, compared with 25% in small organisations) with a lower hourly rate.

Does having multiple funders make a difference?

The compliance load increases when NPOs are required to report to multiple funders. NPOs are asked to provide project-specific acquittals, many of which differ in format to the way in which their accounting and data collection systems captures and records data. Converting data to comply with different specifications or special collections is a costly process.

Does it take longer to do certain Departments' forms?

Compliance for Health (state and federal) Departments took significantly more time (22 hours per form) than for other departments. This is because Health Departments make more use of databases, which require extensive data collection. On the other hand, Disability Departments make small grants to many individuals, depending on their needs, and they also allocate 'block grants' to organisations. Reporting on the many individual grants takes comparatively little time (2 hours per form). However, even though they are short, such reports are numerous—one for each client for each quarter, year to date, requirements for next quarter, and the whole year's budget.

An unexpected paperwork cost

Although not falling within our definition of government generated paperwork for NPOs, staff took considerable time assisting clients to complete their own government forms, particular with Disability funded recipients. These shadow costs were reported as significant by some organisations.

How difficult were the forms to complete?

Most responses indicated (on a three-point scale) that the task was "not difficult" (72%). Most had adequate time to complete forms, most delays being due to external auditors being tardy with their audit reports. Few NPOs outsourced form completion to external agents such as bookkeepers, accountants or lawyers. Surprisingly, only half the forms had instructions and just over a third had a specific departmental contact such as a telephone or e-mail contact.

There was occasional praise for government efforts to simplify compliance documentation, but some departments are considered "obstinate" and "unreasonable". The most serious problem is clearly the requirement to extract and reformulate information from financial and data systems within an organisation in ways that meet the requirements of different departmental forms.

What is not measured in this survey?

The survey did not measure the cost of compliance with government laws and regulations in relation to matters such as providing safety equipment, workplace training or quality assurance measures. It only measured the cost of government generated compliance paperwork such as applying for grants or grant acquittals. It did not measure the cost of assisting clients to complete their forms. Case study organisations who were beginning to implement statutorily imposed quality assurance regimes indicated significant implementation costs in such activities.

What can be done to improve the paperwork burden imposed by government on NPOs?

1. Agreement on a Whole of Government data dictionary to standardise financial, client data collection and other reporting terms and adherence to it by government. Only information defined in the data dictionary could be collected from NPOs to minimise the costs of data conversion and special collections.
2. Data should be collected once and duplicate data to government minimised. A computerised data collection product could be provided to small to medium organisations based on the Whole of Government Data Dictionary to implement such an ideal.
3. Any data collected should be either useful to the NPOs in the first instance or returned as useful information to NPOs in a timely fashion after analysis. This should improve the quality of the information collected for all concerned and attitudes towards its collection.
4. Communication about the fate and reasons of failed submissions needs to be improved, made timely and meaningful.
5. All government forms must be accompanied by adequate instructions and a contact point where inquiries can be dealt with in a prompt fashion.
6. Government paperwork should be designed in proportion to the size and capability of the organisations that it is directed to—one size does not fit all.
7. Government should examine its funding submission processes to ensure that scarce NPO resources are not wasted by adopting the use of expressions of interest and other techniques.
8. Further research is warranted to establish the benefits of red tape reduction measures implemented after this research was completed.
9. Further quantitative research is required into the burdens and benefits of statutory mandated quality accreditation processes being currently deployed by several Queensland and Commonwealth departments.
10. Further research needs to be undertaken into the non-paperwork burden of government regulation such as workplace health and safety, corporate entity and taxation provisions.

Electronic copies of CPNS Working Paper 39: How Long is a Piece of Red Tape? The Paperwork Reporting Costs of Government Grants is available from
<http://eprints.qut.edu.au/archive/00012986/>

This CPNS Current Information Sheet was current as at March 2008. Events, policy and laws alter rapidly and you should take independent advice before acting on any matter raised in this publication.

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