



Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: Mayor Edwin Lee
Members, San Francisco Board of Supervisors
Controller Ben Rosenfield
Kate Howard, Mayor's Budget Director
Starr Terrell, Mayor's Office
Brian Cheu, Mayor's Office of Housing
Dave Curto, Human Services Agency
Tracy Fong, First 5 San Francisco
Bree Mawhorter, Sheriff's Department
Laura Moye, Department of Children, Youth & Their Families
Michelle Long, Department of Public Health
Carol Sacco, Department on the Status of Women
Lisa Estrada, Office of Economic & Workforce Development
Judy Nemzoff, Arts Commission

FROM: Peg Stevenson, City Performance Director, Controller's Office
Susie Smith, Project Manager, Controller's Office
Julia Salinas, Performance Analyst, Controller's Office
Laura Marshall, Performance Analyst, Controller's Office

CC: Citywide Nonprofit Monitoring Program Steering Committee

DATE: March 17, 2014

SUBJECT: RE-ISSUANCE – FY12-13 State of Nonprofit Organizations in the Citywide Nonprofit Monitoring and Capacity Building Program

As we have for several years, in Fiscal Year 2012-2013 (FY13) the Controller's Office coordinated the ongoing citywide program of fiscal and compliance monitoring for nonprofit organizations that have multiple City contracts. In this program, ten City departments conduct fiscal and compliance monitoring jointly so that it is done efficiently and uses consistent standards and methods. The program also identifies nonprofits in need of technical assistance or coaching, and provides consulting services at the City's expense to help those organizations improve their fiscal health and comply with City standards. The program has been in place since 2005 and now covers over 120 nonprofit providers with an aggregate of over \$400 million in City funding.

Findings of the Joint Monitoring Process

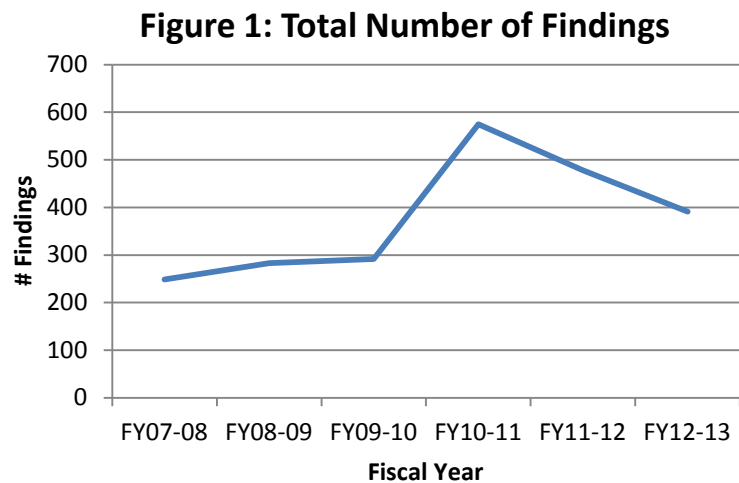
The standards that must be met by nonprofits contracting with the City and the documentation and steps that the City uses to test compliance with these standards are detailed in a handbook available on the Controller's website at <http://www.sfcontroller.org/index.aspx?page=420>. Every year, the City trains both nonprofit agencies and its own staff in how to meet the standards and generally improve financial and administrative management (see Technical Assistance section below).

During FY13, overall, 66 nonprofit contractors (or 52% percent of the total number of nonprofits in the joint monitoring pool) had one or more findings (i.e. did not meet a standard in some area), while 60 nonprofit contractors (48% percent) met all standards with no findings at all. These results reflect outcomes from the FY13 monitoring process, October 2012 to May 2013. We note that agencies with findings may have already taken steps to address them.

Appendix A lists 1) the 14 nonprofit agencies with the top 10 highest number of monitoring findings in FY13, 2) the nonprofits with the same finding repeated between FY12 and FY13, and 3) the types of findings. Appendix B provides a list of the nonprofits without any findings. In general, a high number of findings or repeated findings raise a concern that a nonprofit does not have the organizational capacity to correct deficiencies and/or the leadership of the agency is failing to act on known important issues of financial management, governance, compliance reporting or other core factors. Some of the findings signal serious organizational problems that jeopardize an organization's ability to provide effective and sustainable services to residents in need. City departments and the Controller's Office continue to work with these agencies to correct monitoring findings and improve organizational health.

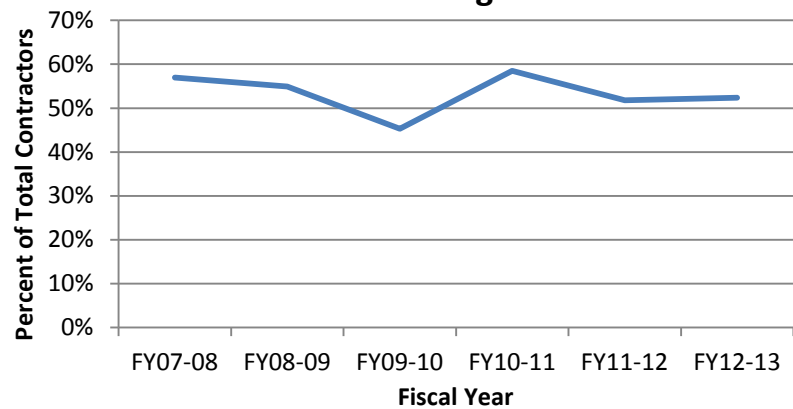
In FY13, the three most common findings among nonprofits were in the following categories: 1) Financial Reports (29% of nonprofits), 2) Agency-wide Budget (21% of nonprofits), 3) Cost Allocation Procedures (18% of nonprofits). The most common compliance-related findings were in the areas Board Meetings, Emergency Operations Plans, and ADA Compliance. Overall, there were more fiscal findings than compliance findings. Appendix C provides a breakdown of the percent of nonprofits with findings in each category for FY13 and Appendix D provides a breakdown of trends over time for each findings category.

Analyzing findings over time (Figures 1 and 2), the number of monitoring findings last fiscal year continued on a downward trend. During the 6 years of the citywide monitoring program, total findings spiked to an all-time high in FY11, likely due to the economic recession and related stresses on nonprofit organizations during the period. Since then, the total number of findings has generally decreased.



A similar pattern holds for the overall percent of contractors with findings in the monitoring pool. The high of 58 percent of nonprofits in the monitoring pool with findings occurred in FY11 followed by two years at 52 percent in FY12 and FY13. A program low occurred in FY10, with just 45 percent of nonprofits having findings.

Figure 2: Percent of Total Contractors with Findings



Technical Assistance, Coaching, and Trainings

In an effort to help nonprofits correct their findings and improve their overall operations, the Controller’s Office provides coaching and technical assistance to City-funded nonprofits. These services are generally provided through a contract between the City and CompassPoint Nonprofit Services, an organization with broad professional and community experience in nonprofit management. In FY13, the following seven nonprofits received technical assistance, mostly through referrals by City departments:

1. Booker T. Washington
2. Community Vocational Enterprise
3. Dolores Street Community Services
4. Horizons Unlimited of San Francisco
5. Vietnamese Youth Development Center
6. Parents for Public Schools Inc.
7. San Francisco Cultural Arts Tradition

Nearly all of the technical assistance focused on fiscal issues (e.g. cost allocation procedures, fundraising, and budgeting). One organization, however, received assistance with board development and executive leadership development. Two of these organizations who received technical assistance subsequently ceased operations – Community Vocation Enterprise, Inc. and San Francisco Cultural Arts Center.

Corrective Action Policy

As an outgrowth of the joint monitoring work, the City initiated a corrective action policy in 2011. This policy is intended to encourage accountability, compliance with government funding requirements, and reliable service delivery for San Francisco residents. It ensures that the City as a funder acts appropriately when a nonprofit contractor is failing to meet standards and that the nonprofit has a plan in place and work underway to correct deficiencies. As part of this policy, a funding department or the Controller may place nonprofits in an “elevated concern” or a “red flag” status category if the organization meets the specified criteria and does not respond to the City’s efforts to bring it into compliance with contract standards.

City departments or the Controller can designate elevated concern or red flag status to a nonprofit organization for fiscal, compliance, and/or programmatic reasons, or when a nonprofit fails to complete any step in the Citywide Nonprofit Monitoring Process. Nonprofit organizations designated with either elevated concern or red flag status are less competitive in Requests for Proposal (RFP) scoring processes for new grants and contracts.

1. Elevated concern status can occur when a nonprofit has not done any or all of the following by City department deadlines:
 - Responded to the City’s request for monitoring documents
 - Responded to the City’s request for corrective action
 - Provided a corrective action plan that is acceptable to the City
 - Complied with the implementation of a corrective action plan

2. Red flag status is for service providers at imminent risk of being unable to perform services per their contract. The designation is determined by City department or division heads. In a red flag status situation a department head also prescribes specific corrective action.

Per the Citywide Nonprofit Corrective Action Policy, the Controller’s Office coordinates and reports information from City departments on nonprofit contractors designated with elevated concern or red flag status. Please see Attachment 1 for the full policy. As of November 2013, there were no organizations on red flag or elevated concern status.

#####

Appendix:

- A. FY13 Contractors with Most Findings, Repeated Findings and Findings Category Key
- B. Contractors with No Findings in FY13
- C. FY13 Findings Totals by Category
- D. Trend Analysis: Change in Findings between FY08 and FY13

Attachments:

1. Citywide Nonprofit Corrective Action Policy
2. Standard Monitoring Form: Fiscal & Compliance

Appendix A:

Contractors with the Most Findings in FY13

Per the Corrective Action Policy, the Controller's Office is required to report on the 20 agencies with the highest number of findings each year. The following 21 organizations had the most findings in FY13, ordered from greatest to least number of total findings. Each category comprises multiple sub-categories with various monitoring standards. As such, a nonprofit agency may have multiple findings within each category. A detailed Findings Category Key and a Department Abbreviation Key are available on page 7.

Finding Category Key		
1a - Agency-Wide Budget	1g - Invoices	2e - Subcontracts
1b - Cost Allocation	1h - Payroll	2f - Licenses
1c - Audited Financial Statements	2a - Board Minutes	2g - Personnel Policies
1d - Tax Form	2b - Board Meetings	2h - Emergency Operations Plan
1e - Fiscal Policies & Procedures	2c - Public Access to Records	2i - Americans with Disabilities Act (ADA)
1f - Financial Reports	2d - Community Representation on Board	

RANK	LEAD DEPT	NONPROFIT CONTRACTOR	SPECIFIC FINDING	TOTAL
1	DCYF, MOHCD	TURF	1a, 1b, 1d, 1f, 1g, 1h, 2a, 2b, 2g, 2h, 2i	23
2	DCYF, HSA, OEWD	ARRIBA JUNTOS	1a, 1b, 1e, 1f, 1g, 2e, 2g, 2i	21
3	DCYF, DT	STREETSIDE STORIES	1a, 1b, 1c, 1e, 1h, 2b, 2h	19
4	DCYF, MOHCD	BOOKER T WASHINGTON COMMUNITY SERVICES CENTER	1a, 1b, 1c, 1f, 1g, 2i	18
5	DCYF, DOSW, DPH	HORIZONS UNLIMITED OF SF	1a, 1b, 1e, 1f, 1h, 2a, 2d, 2h, 2i	16
6	DCYF, MOHCD	CONSCIOUS YOUTH MEDIA CREW	1e, 1h, 2a, 2g, 2i	15
6	DCYF, MOHCD	CENTRAL AMERICAN RESOURCE CENTER OF NORTHERN CA	1a, 1e, 1f, 1h, 2a, 2b, 2d, 2g, 2i	15
7	OEWD, HSA, DCYF	MISSION LANGUAGE & VOCATIONAL SCHOOL INC	1a, 1b, 1c, 1e, 1f, 1g, 1h, 2b, 2g, 2h	14
8	HSA, DOSW	ST VINCENT DE PAUL SOCIETY OF SAN FRANCISCO	1d, 1e, 1f, 1h, 2b, 2d, 2h, 2i	12
9	DCYF, MOHCD	LEGAL SERVICES FOR CHILDREN	1a, 1b, 1e, 1f, 1h, 2i	11
9	HSA, DCYF, CFC, DPH, MOHCD	LA RAZA CENTRO LEGAL INC	1a, 1b, 1c, 1d, 1e, 1f, 1g, 2h	11
9	DCYF, HSA, MOHCD	MISSION HOUSING DEVELOPMENT CORP.	1a, 1b, 1c, 1d, 1f	11
9	DCYF, OEWD	RENAISSANCE PARENTS OF SUCCESS	1a, 1b, 1f	11
10	DCYF, DPH	BOYS & GIRLS CLUBS OF SAN FRANCISCO	1b, 1c, 1f, 1h, 2i	10
11	DCYF, DPH, HSA	BAYVIEW HUNTERS POINT FOUNDATION FOR COMMUNITY IMPROVEMENT	1a, 1b, 1g, 2c, 2d, 2h	8
11	DPH, DCYF	HUCKLEBERRY YOUTH PROGRAMS INC	1b, 1e, 1g, 1h, 2e, 2g	8
11	DCYF, CFC, DPH, MOHCD, HSA, DT	Y M C A OF SAN FRANCISCO	1b, 1c, 1f, 2a, 2e	8
12	OEWD, DT, DCYF	BAYCAT	1e, 1h, 2b, 2h, 2i	7
12	MOHCD, DPH	MERCY HOUSING CALIFORNIA	1h, 2b, 2c, 2d, 2h	7
12	DCYF, OEWD	JEWISH VOC & CAREER COUNSELING SVC	1a, 1b, 1f	7
12	HSA, DPH, OEWD, MOHCD	COMMUNITY HOUSING PARTNERSHIP	1a, 1b, 1f	7

Contractors with the Same Finding Repeated in FY12 and FY13

Finding Category Key		
1a - Agency-Wide Budget	1g - Invoices	2e - Subcontracts
1b - Cost Allocation	1h - Payroll	2f - Licenses
1c - Audited Financial Statements	2a - Board Minutes	2g - Personnel Policies
1d - Tax Form	2b - Board Meetings	2h - Emergency Operations Plan
1e - Fiscal Policies & Procedures	2c - Public Access to Records	2i - Americans with Disabilities Act (ADA)
1f - Financial Reports	2d - Community Representation on Board	

FUNDING DEPARTMENTS	NONPROFIT CONTRACTOR	REPEATED FINDINGS
DCYF, DOSW, DPH	HORIZONS UNLIMITED OF SAN FRANCISCO	1a, 1b, 1e, 1f, 1h, 2a, 2d
HSA, DCYF, CFC, DPH, MOHCD	LA RAZA CENTRO LEGAL INC	1a, 1b, 1d, 1e, 1f, 1g, 2h
OEWD, HSA, DCYF	MISSION LANGUAGE & VOCATIONAL SCHOOL INC	1a, 1b, 1c, 1f, 1h, 2h
DCYF, MOHCD	TURF	1a, 1b, 1d, 1f, 2a
DOSW, HSA, MOHCD	ASIAN PACIFIC ISLANDER LEGAL OUTREACH (NIHONMACHI)	1b, 1f, 1h, 2g
DCYF, MOHCD	BOOKER T WASHINGTON COMMUNITY SERVICES CENTER	1a, 1b, 1f
DCYF, OEWD	CHARITY CULTURAL SERVICES CENTER	1a, 1f
HSA, CFC, DPH	CHILDREN'S COUNCIL OF SAN FRANCISCO	1f, 2g
DCYF, MOHCD	CONSCIOUS YOUTH MEDIA CREW	1e, 2a
OEWD, DCYF	FLORENCE CRITTENTON SERVICES	2h, 2i
DCYF, HSA, MOHCD	SAMOAN COMMUNITY DEVELOPMENT CENTER INC	1a, 1c
DCYF, HSA, OEWD	ARRIBA JUNTOS	1g
HSA, MOHCD, DOSW	BAY AREA LEGAL AID	2h
HSA, SHF	BAYVIEW HUNTERS POINT MULTIPURPOSE SENIOR SERVICES	1f
DCYF, HSA, CFC, DOSW, MOHCD, DT	MISSION NEIGHBORHOOD CENTERS INC	1f
DCYF, HSA, OEWD, MOHCD	THE SAN FRANCISCO LGBT COMMUNITY CENTER	1f
DCYF, OEWD	YOUTH GUIDANCE CENTER IMPROVEMENT COMMITTEE	1b

Findings Category Key (Detailed)

Following is a description of each finding category. Refer to the monitoring form (Attachment 2) for the sub-categories contained under each of the categories below.

Finding Category 2013	General Description
1a - Agency-Wide Budget	Current budget that shows income & expense by program, allocates costs
1b - Cost Allocation	Process for allocating shared & indirect costs is consistent and reasonable
1c - Audited Financial Statements	Current and complete external audit
1d - Tax Form	Federal 990 return filed or extended and submitted on time
1e - Fiscal Policies & Procedures	Current fiscal policies & procedures with internal controls, etc.
1f - Financial Reports	Current financial reports with positive cash balance, year-to-date income, etc.
1g - Invoices	Expenses tested on invoices have supporting documentation; policies followed
1h - Payroll	State and federal payroll tax returns filed on time; payroll taxes due paid
2a - Board Minutes	Minutes show budget approvals, sharing of financial reports, etc.
2b - Board Meetings	At least two meetings open to the public & announced in advance
2c - Public Access to Records	Procedures for responding to Sunshine Requests, policies for these requests
2d - Community Representation on Board	By-laws include requirements for client representation on Board
2e - Subcontracts	Agreements are valid and current, procurement procedures followed, etc.
2f - Licenses	Site and staff licenses required by City contracts are available, verified, & current
2g - Personnel Policies	Written & current personnel manual, evidence of staff training
2h - Emergency Operations Plan	Written emergency operations plan, including business continuity arrangement
2i - Americans with Disabilities Act (ADA)	Written policies and procedures, evidence of staff training

Department Abbreviations Key	
CFC	Children and Families Commission (First 5)
DCYF	Department of Children, Youth and Their Families
DOSW	Department on the Status of Women
DPH	Department of Public Health
DT	Department of Technology
HSA	Human Services Agency
MOHCD	Mayor's Office of Housing and Community Development

Appendix B: Contractors with No Findings in FY13

1. AIDS LEGAL REFERRAL PANEL OF THE SF BAY
2. APA FAMILY SUPPORT SERVICES
3. ASIAN LAW CAUCUS INC
4. ASIAN NEIGHBORHOOD DESIGN
5. BAY AREA VIDEO COALITION
6. BRIDGE HOUSING CORPORATION
7. CHINATOWN COMMUNITY DEVELOPMENT CENTER
8. COMMUNITY AWARENESS & TREATMENT SERVICES INC
9. COMMUNITY WORKS WEST, INC
10. COMMUNITY YOUTH CENTER OF SAN FRANCISCO
11. COMPASS FAMILY SERVICES
12. DONALDINA CAMERON HOUSE
13. EDGEWOOD CENTER FOR CHILDREN AND FAMILIES
14. EVICTION DEFENSE COLLABORATIVE INC
15. FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
16. FRIENDSHIP HOUSE ASSOC OF AMERICAN INDIANS
17. GLIDE COMMUNITY HOUSING INC
18. GLIDE FOUNDATION
19. GOOD SAMARITAN FAMILY RESOURCE CENTER INC
20. HAMILTON FAMILY CENTER
21. HEARING & SPEECH CENTER OF NORTHERN CA
22. HUNTER'S POINT FAMILY
23. IHSS CONSORTIUM
24. INSTITUTE ON AGING
25. INSTITUTO FAMILIAR DE LA RAZA INC
26. INTERNATIONAL INSTITUTE OF THE BAY AREA
27. JEWISH COMMUNITY CENTER OF SF
28. JEWISH FAMILY AND CHILDREN'S SERVICES
29. LA CASA DE LAS MADRES
30. LARKIN STREET YOUTH SERVICES
31. LAVENDER YOUTH RECREATION & INFO CENTER
32. LEGAL ASSISTANCE TO THE ELDERLY INC
33. MAITRI
34. MARY ELIZABETH INN
35. MISSION ASSET FUND
36. MISSION COUNCIL ON ALCOHOL ABUSE/SPANISH
37. MT ST JOSEPH-ST ELIZABETH
38. NORTH OF MARKET SENIOR SERVICES - DBA CURRY SENIOR CENTER
39. PARENTS FOR PUBLIC SCHOOLS
40. PERFORMING ARTS WORKSHOP
41. PORTOLA FAMILY CONNECTIONS INC
42. PROJECT OPEN HAND
43. RENAISSANCE ENTREPRENEURSHIP CENTER
44. S F BAR ASSOCIATION VOLUNTEER LEGAL SERVICES PROGRAM
45. SAN FRANCISCO CHILD ABUSE PREVENTION CENTER
46. SAN FRANCISCO CONSERVATION CORPS
47. SAN FRANCISCO FOOD BANK
48. SAN FRANCISCO NETWORK MINISTRIES
49. SAN FRANCISCO SCHOOL ALLIANCE
50. SAN FRANCISCO STUDY CENTER INC
51. SENECA CENTER
52. SOUTH OF MARKET CHILDCARE INC
53. SPECIAL SERVICE FOR GROUPS
54. SUPPORT FOR FAMILIESS OF CHILDERN WITH DISABILTIES
55. TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORP
56. THE ARC OF SAN FRANCISCO
57. TOOLWORKS
58. VETERAN'S EQUITY
59. WESTED
60. WU YEE CHILDREN'S SERVICES

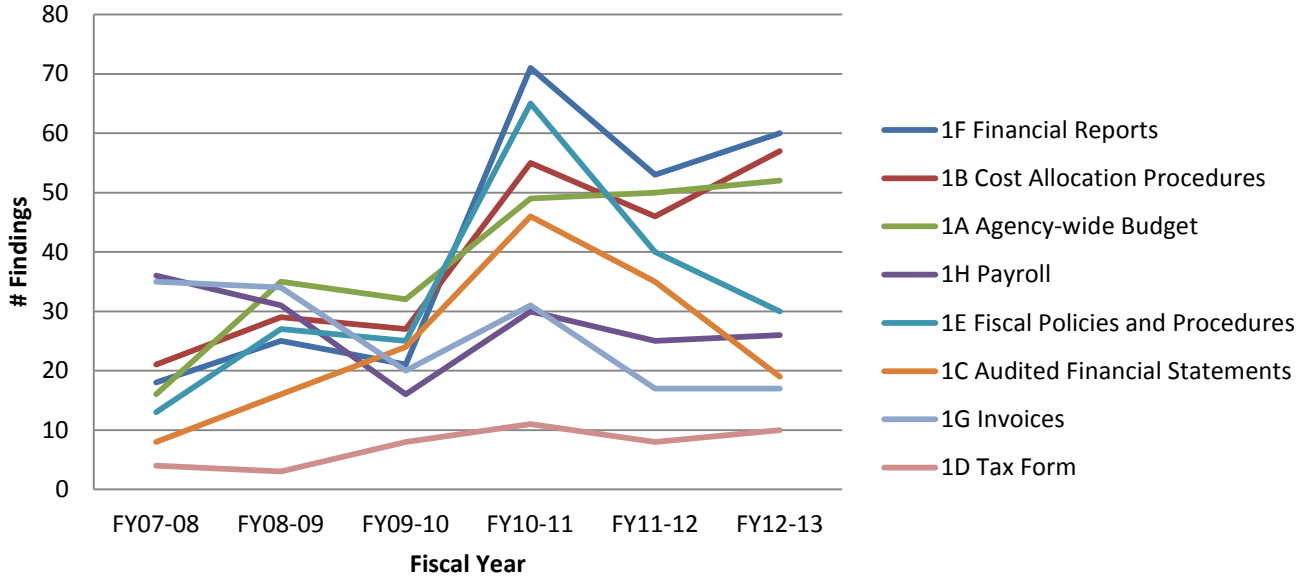
Appendix C: FY13 Findings Totals by Category

FY13 Fiscal Review Findings		
	Percent of Nonprofits with Finding	*Total Number of Incidences
1.F. Financial Reports	29%	60
1.A. Agency-wide Budget	21%	52
1.B. Cost Allocation Procedures	18%	57
1.E. Fiscal Policies and Procedures	13%	30
1.C. Audited Financial Statements	13%	19
1.H. Payroll	13%	26
1.G. Invoices	10%	17
1.D. Tax Form	8%	10
*Each compliance category (e.g. 1.F.) is comprised of multiple sub-categories with different monitoring standards; "Total Number of Incidents" includes all sub-categories. See Standard Monitoring Form, Appendix A Findings Category Key, for details.		

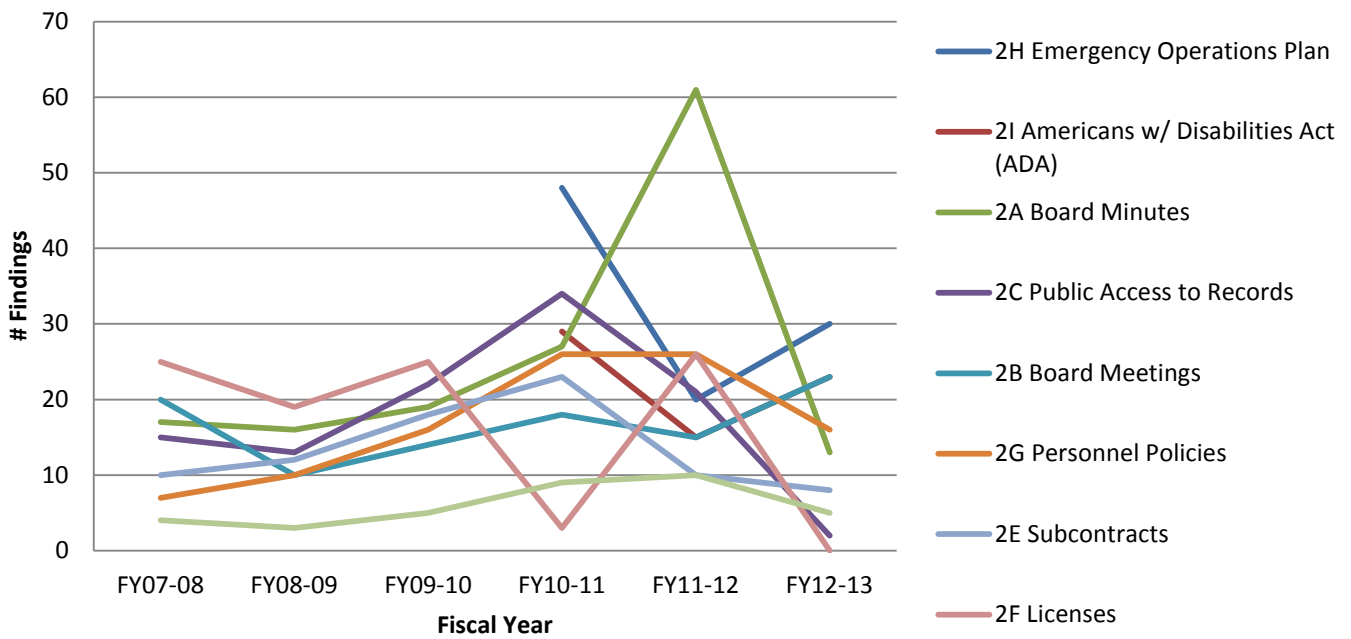
FY13 Compliance Review Findings		
	Percent of Nonprofits with Finding	*Total Number of Incidences
2.B. Board Meetings	13%	23
2.H. Emergency Operations Plan	13%	30
2.I. Americans w/ Disabilities Act (ADA)	12%	23
2.G. Personnel Policies	10%	16
2.A. Board Minutes	6%	13
2.E. Subcontracts	6%	8
2.D. Community Representation on Board	4%	5
2.C. Public Access to Records	2%	2
2.F. Licenses	0%	0
*Each compliance category (e.g. 2.B.) is comprised of multiple sub-categories with different monitoring standards; "Total Number of Incidents" includes all sub-categories. See Standard Monitoring Form, Appendix A Category Key, for details.		

Appendix D: Trend Analysis: Change in Findings between FY08 – FY13

Total Number of Fiscal Findings by Category, FY08 - FY13



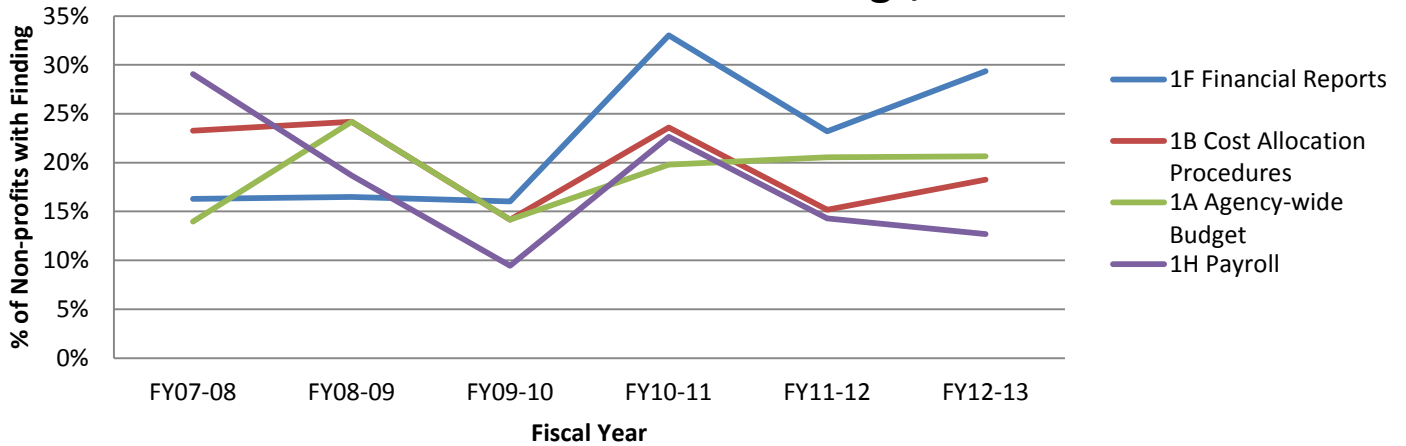
Total Number of Compliance Findings by Category, FY08 - FY13



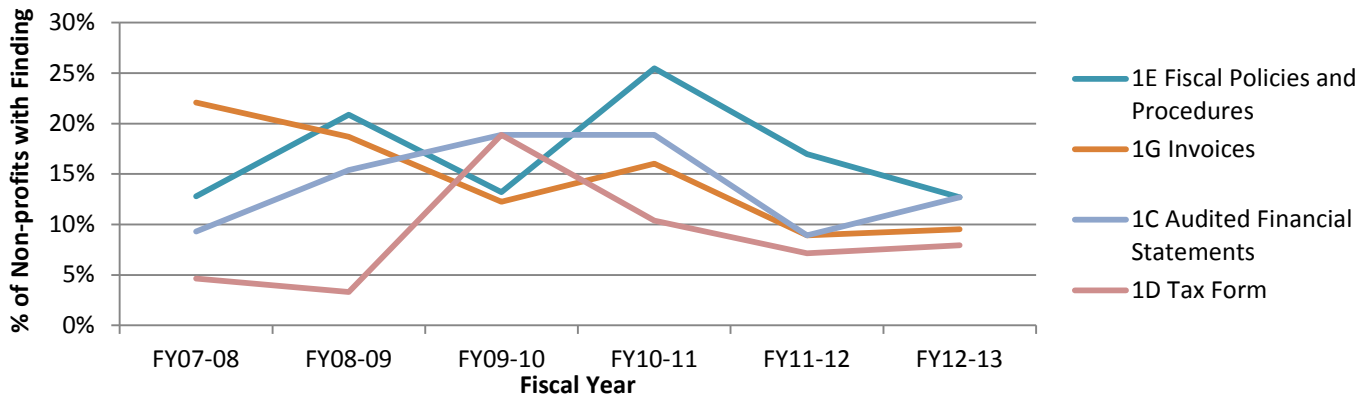
Change in Percentage of Nonprofit Organizations with Findings (FY08 – FY13)

The following trend analysis illustrates the change in findings in each category over time. Findings categories are reported by greatest to least average findings.

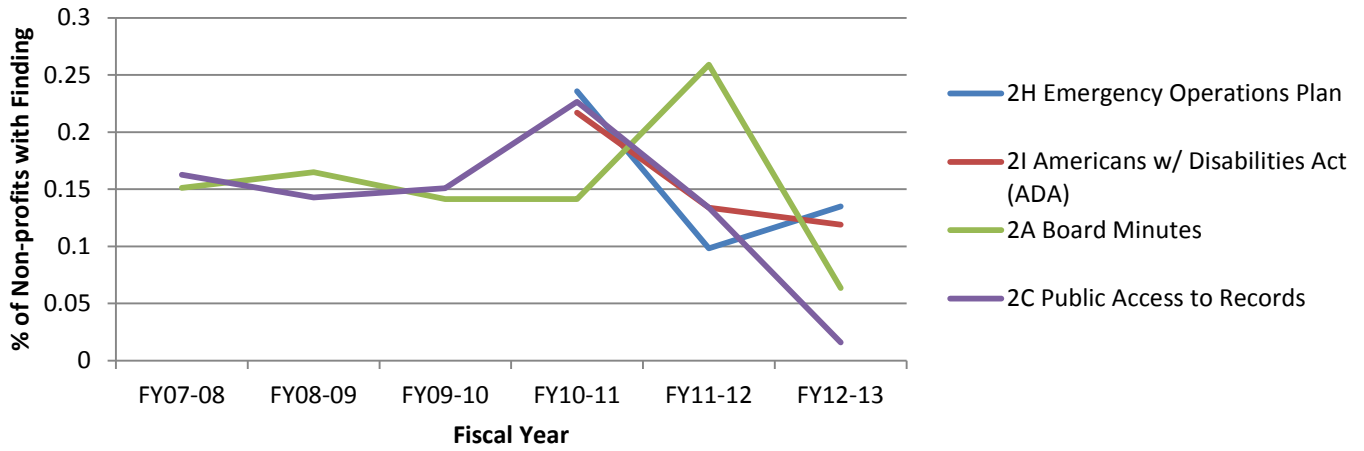
Breakdown of Fiscal Findings, Part 1



Breakdown of Fiscal Findings, Part 2



Breakdown of Compliance Findings, Part 1



Breakdown of Compliance Findings, Part 2

