

2017 ANNUAL REPORT HIGHLIGHTS

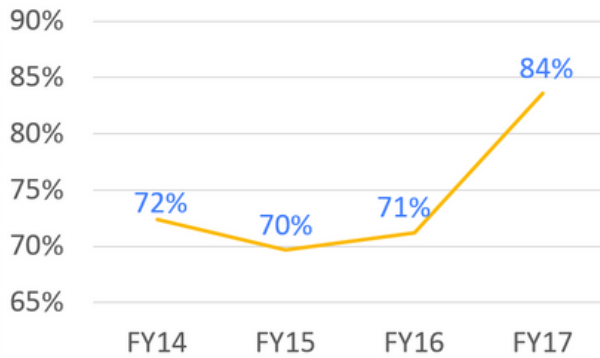
146 Contractors monitored with a standard form and process

\$524m

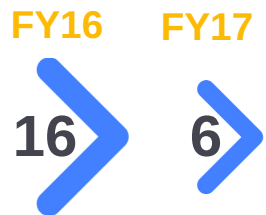
In funding from 10 City departments

84% OF MONITORED CONTRACTORS CONFORMED WITH ALL STANDARDS

MORE CONTRACTORS CONFORMED WITH STANDARDS COMPARED TO PRIOR YEARS



CONTRACTORS WITH 5 OR MORE FINDINGS



CONTRACTORS WITH REPEAT FINDINGS



TECHNICAL ASSISTANCE HELPED CONTRACTORS REDUCE FINDINGS

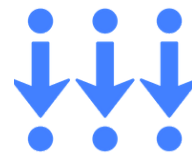
FINANCIAL MANAGEMENT COACHING PROVIDED TO CONTRACTORS



13 contractors coached



248 hours of coaching provided



8.1 fewer findings for coaching recipients, compared to FY16

Compared to



2.5 fewer findings for all contractors



2017 ANNUAL REPORT HIGHLIGHTS

PERFORMANCE MEASURES

AIMING FOR...

OUR PROGRESS

Efficiency and reduced duplication



NONPROFITS AND MONITORS AGREE MONITORING IS...

Consistent across City departments



Efficient and reduces duplication



Public funds spent in alignment with City's financial standards



NONPROFITS AND MONITORS AGREE MONITORING IS...

Aligned with best practices in financial management



AND SURVEY RESULTS SHOW...

92% Of nonprofits have a clear understanding of the fiscal and compliance elements being monitored

Strong and sustainable nonprofit fiscal operations



NONPROFITS AND MONITORS AGREE THE PROGRAM...

Ensures nonprofits have strong, sustainable fiscal operations



AND MONITORING RESULTS SHOW...

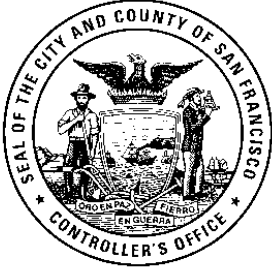
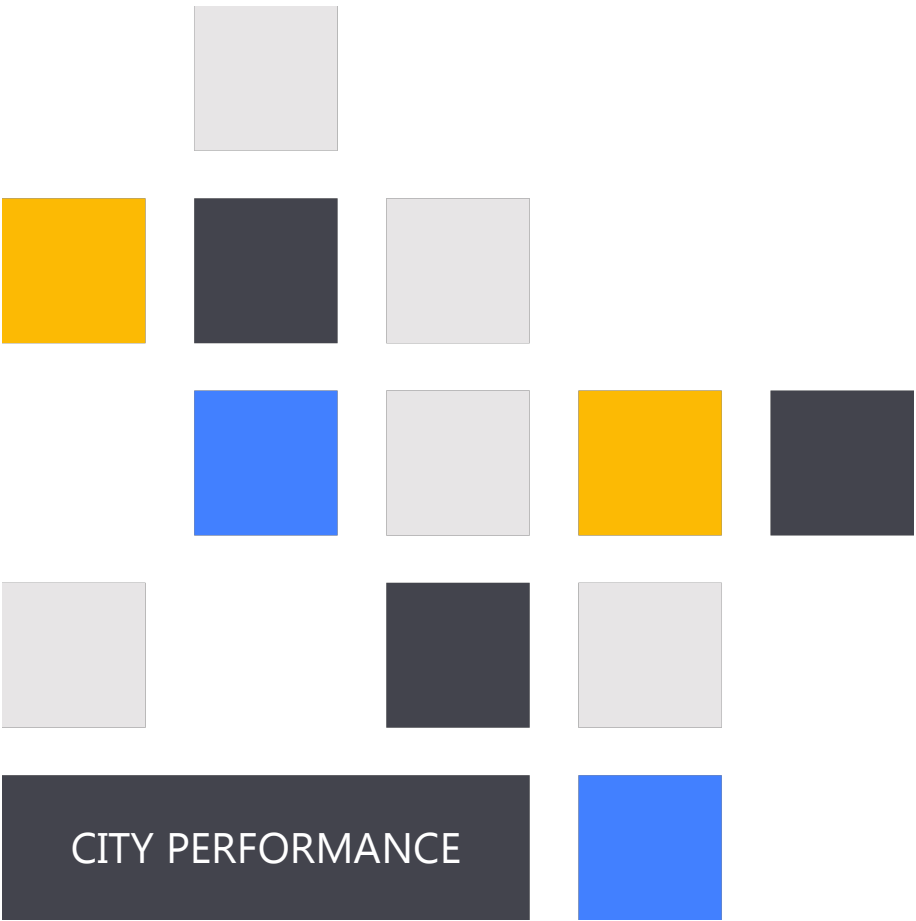
64% Of nonprofits maintained zero fiscal findings in FY16 and FY17



Citywide Nonprofit Monitoring and Capacity Building Program

Fiscal Year 2016-2017 Annual Report

In Fiscal Year 2016-2017, 84% of monitored contractors ended the cycle in full conformance with all fiscal and compliance standards.



November 2017

City & County of San Francisco
Office of the Controller
City Services Auditor

About City Performance

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the San Francisco City Charter that was approved by voters in November 2003. Within CSA, City Performance ensures the City's financial integrity and promotes efficient, effective, and accountable government.

City Performance Goals:

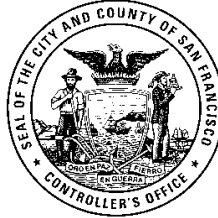
- City departments make transparent, data-driven decisions in policy development and operational management.
- City departments align programming with resources for greater efficiency and impact.
- City departments have the tools they need to innovate, test, and learn.

FY16-17 Citywide Nonprofit Monitoring and Capacity Building Program

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To learn about the Citywide Nonprofit Monitoring and Capacity Building Program, visit the Controller's Office website at <http://sfcontroller.org/nonprofits>



For more information about the program, please contact a team member at:

nonprofit.monitoring@sfgov.org

Office of the Controller
City and County of San Francisco

Visit:

<http://sfcontroller.org/nonprofits>

<http://sfcontroller.org>

Executive Summary

In Fiscal Year 2016-2017 (FY17), the City and County of San Francisco (City) contracted with over 650 nonprofit organizations to provide critical services such as healthcare, housing, job training, family support and more, totaling \$747 million in City funding to these agencies. The Citywide Nonprofit Monitoring and Capacity Building Program (Monitoring Program or Program) consolidates contract monitoring requirements related to fiscal and organizational health for nonprofit contractors that receive funding from multiple City departments. By streamlining monitoring activities, the Program aims to save both City taxpayers and nonprofits time and money. The Monitoring Program specifically assesses three broad areas of organizational health: fiscal, compliance, and governance practices. The Monitoring Program also provides capacity building services to nonprofit contractors and City monitors to support nonprofit fiscal health and compliance and ensure efficient monitoring practices.

This Annual Report documents the FY17 monitoring results and provides an overview of major program activities, including technical assistance provided, and application of the Corrective Action Policy.

MONITORING RESULTS SUMMARY

- In FY17, the Monitoring Program included 146 nonprofit providers with an aggregate of over \$524 million in City funding from ten departments. This analysis includes monitoring results for 128 contractors, with 13 excluded from monitoring through good performance waivers, and the remainder excluded from analysis due to delayed monitoring results.
- By the close of the monitoring cycle, 107 contractors (84%) were in full conformance with monitoring standards, leaving 21 contractors (16%) with one or more findings.
- The outcomes from FY17 monitoring represent a significant increase in the percentage of contractors ending the monitoring cycle with no findings compared to the last 5 years. Previously, the percentage of contractors in full conformance has stayed consistent at about 70%.
- Between FY16 and FY17, there was a 31% decrease in fiscal findings and a 54% decrease in compliance findings among monitored nonprofits, continuing the downward trend of previous years.
- The categories of standards with the most findings in FY17 were *Cost Allocation Procedures* and *Financial Reports* – both with 16 findings across all contractors. The *Agency-Wide Budget* and *Invoices* categories had 15 and 13 findings, respectively.
- Twelve contractors received or were referred to technical assistance consulting services during FY17 to help bring them in line with City standards. The City provided 248 hours of individualized coaching services during FY17.

Table of Contents

Executive Summary	3
Table of Contents	4
Program Overview	5
Program Goals and Impact	7
FY17 Monitoring Results	8
FY17 Monitoring Pool	8
Monitoring Findings.....	8
Findings by Category	10
Fiscal Standards	11
Compliance Standards.....	14
Governance Standards	15
Contractor Outcomes	16
Contractors with the Most Findings in FY17	17
Contractors with Repeated Findings between FY16 and FY17.....	17
Corrective Action Policy.....	18
Capacity Building Program.....	19
APPENDIX A: Contractors with No Findings	22
APPENDIX B: Good Performance Waivers	25
APPENDIX C: Contractors with Repeated Findings	26
APPENDIX D: Performance Measures	27

Program Overview

The Controller's Office coordinates the Monitoring Program to streamline and standardize fiscal and compliance monitoring of nonprofit organizations receiving multiple City contracts. The City departments participating in the Monitoring Program jointly conduct annual monitoring so that it is done efficiently and uses consistent standards and methods. In FY17, the Monitoring Program included 146 nonprofit providers with an aggregate of over \$524 million in City funding from ten participating departments.

Core to the Monitoring Program is an annual assessment of contractors' ability to meet specific fiscal and compliance standards that act as indicators of organizational health. 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 available on the Controller's website at <http://sfcontroller.org/nonprofits>.

ARTS	Arts Commission
DCYF	Department of Children, Youth and Their Families
DOSW	Department on the Status of Women
DPH	Department of Public Health
First 5	Children and Families Commission
HSA	Human Services Agency
HSH	Department of Homelessness and Supportive Housing
MOHCD	Mayor's Office of Housing and Community Development
OEWD	Office of Economic and Workforce Development
SHF	Sheriff's Office

The Controller's Office provides support to nonprofits and City monitors to facilitate the annual assessment, help nonprofits comply with City standards, and generally improve nonprofit financial and administrative management.

With the goal of ensuring the monitoring of nonprofit contractors is consistent, efficient, reduces duplication across City departments and minimizes the burden on nonprofit contractors, the Controller's Office centrally coordinates monitoring activities, including:

- Coordinating joint fiscal and compliance monitoring activities of the City departments that are the primary funders of health and social services.
- Providing standard forms, templates, and an automated system for collaboration.
- Managing a Citywide Corrective Action Policy and process for designation of Elevated Concern and Red Flag status when necessary.
- Providing individualized coaching services for the City's nonprofit contractors.
- Providing workshops on nonprofit financial management practices for nonprofit contractors and City staff.
- Providing workshops and peer learning events related to monitoring activities for City staff.
- Providing resources and guidance to support nonprofit contractors to come into conformance with City standards.

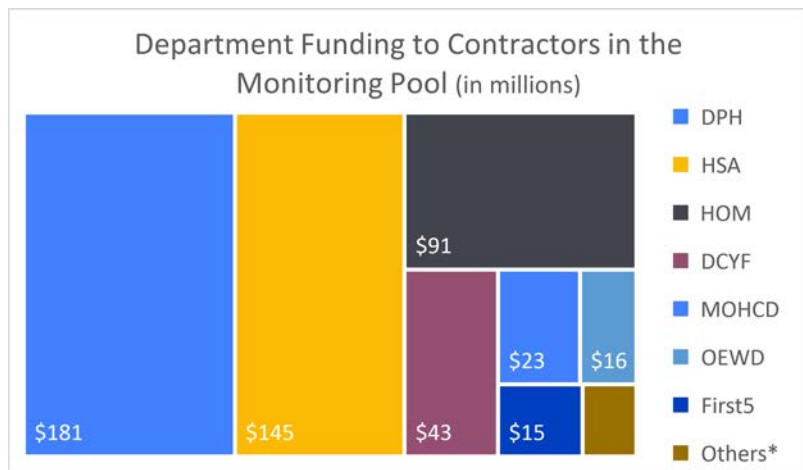
- Coordinating the development of Citywide policy on key issues of nonprofit contracting.
- Tracking and analyzing data, and publishing reports on monitoring activities and outcomes, leveraging results to improve program performance.

To support nonprofit contractors, the Monitoring Program provides resources and coordinates technical assistance and training activities to build the capacity of nonprofits to meet City standards and maintain fiscal and operational health. The Monitoring Program identifies nonprofits in need of technical assistance, and provides consulting services at the City’s expense. In addition, the Controller’s Office coordinates a “Spring Nonprofit Training Series” annually, focusing on issues related to nonprofit financial management and governance.

City monitors conduct the annual assessment between October and March through a site visit or a desk review (called a “self-assessment”). When a contractor does not meet a standard, this is considered a “finding.” City monitors document all findings in a Monitoring Report Letter, deliver direction on how to meet the standard, and provide the opportunity to do so within the monitoring cycle.

At the end of the monitoring cycle, City monitors record the final outcome for each contractor in a Final Status Letter that describes the findings that have been corrected by the contractor and are now “in conformance” with

City standards, as well as findings that must still be addressed by the nonprofit contractor, and thus “not yet in conformance.” Per the Monitoring Program’s Corrective Action Policy, contractors that do not adequately address findings from year to year may be labeled “unresponsive,” which can lead to placement on elevated concern or red flag status.



* Other funding departments allocate \$10 million and include DOSW, SHF, and ARTS

PROGRAM GOALS AND IMPACT

During FY17, the Controller’s Office facilitated a series of meetings and used surveys of stakeholders to explore and refine goals for the Program after ten years of operation, resulting in the following operational goals for the Citywide Nonprofit Monitoring and Capacity Building Program.

Program Goals

Fiscal and compliance monitoring of nonprofit contractors is:	<ul style="list-style-type: none">▪ Consistent across City departments▪ Efficient and reduces duplication for City departments and nonprofit contractors▪ High quality▪ Aligned with best practices in financial management	The Program delivers capacity building services that are:	<ul style="list-style-type: none">▪ High quality▪ Responsive to City and nonprofit contractor needs▪ Coordinated among City departments
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Program strategies and goals aim to make the following broader impact on the City’s nonprofit contracting, monitoring, and San Francisco’s network of nonprofit contractors.

Program Impact

Public funds are spent in alignment with the City’s financial and administrative standards.	Nonprofit contractors have strong, sustainable fiscal operations.
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Where applicable, the following analysis includes measures of Program performance against these goals and intended impact. Existing measures include targets; some measures are new this year, and targets will be set once a baseline has been established. See Appendix D for a full list of performance measures.

FY17 Monitoring Results

FY17 MONITORING POOL

A total of 146 contractors participated in the monitoring pool in FY17, an increase of ten contractors over the previous year. In accordance with the Monitoring Program's waiver policy, departments granted thirteen contractors¹ a waiver from monitoring this year due to strong performance. The analysis excludes an additional five contractors due to scheduling delays or incomplete documentation by City monitors.² This report includes monitoring outcomes for 128 contractors.

Contractors in the monitoring pool may receive one of two types of monitoring: a site visit or self-assessment. Some contractors may be required to receive a site visit annually due to funding source restrictions. Contractors with a history of strong fiscal performance may be eligible to receive a "self-assessment" in which the contractor submits required documents to the monitoring departments electronically rather than on-site, and monitors use a limited version of the monitoring form to conduct a desk review. All contractors in the pool are required to receive a site visit at least every three years.

In FY17, 83 (65%) contractors in this analysis received a site visit, while 45 (35%) received a self-assessment. The FY17 dataset (available [online](#)³) includes a list of the contractors in the FY17 monitoring pool and their monitoring results, including type of monitoring, any initial findings, and the final status of any findings for each contractor.

MONITORING FINDINGS

The FY17 initial monitoring (i.e., prior to the contractor's opportunity to respond) found 89 contractors (70%) to be in full conformance with the City's standards.⁴ This represents an 18% increase over FY16, when just 52% of contractors were in full conformance with standards after the initial monitoring. While this is a large increase year to year, Figure 1 shows a multi-year improvement trend.

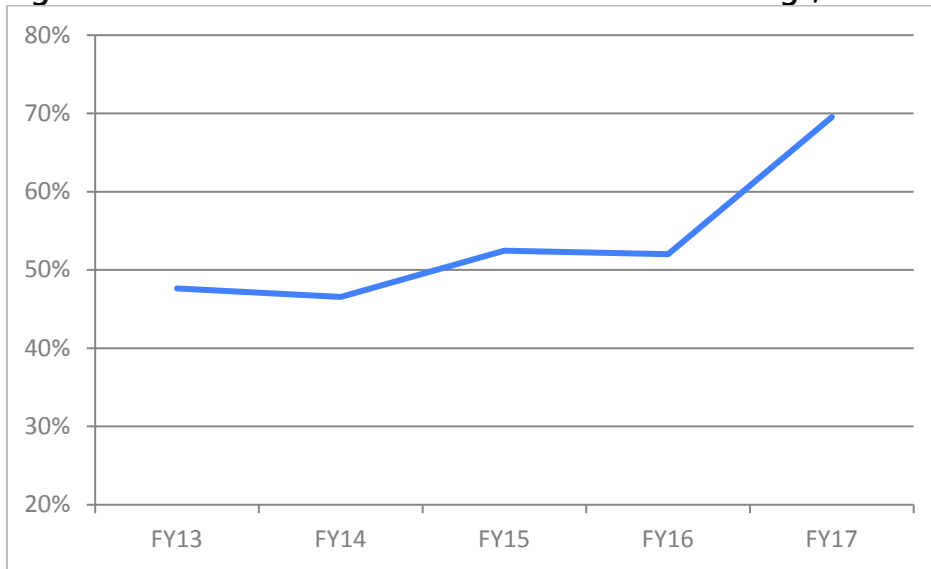
¹ See Appendix B for waiver requirements and a list of contractors granted a waiver in FY17.

² Contractors excluded from analysis: A Better Way; Edgewood Center for Children and Families; First Place for Youth; Mt St Joseph-St Elizabeth; St. Vincent de Paul Society

³ Available through <http://openbook.sfgov.org/webreports/details3.aspx?id=2515>

⁴ The 89 contractors in full conformance after initial monitoring included 26 contractors with one or more findings in best practice or pilot standards, which do not require resolution and do not count as formal "findings."

Figure 1. Percent of Contractors with No Initial Findings, FY13-FY17

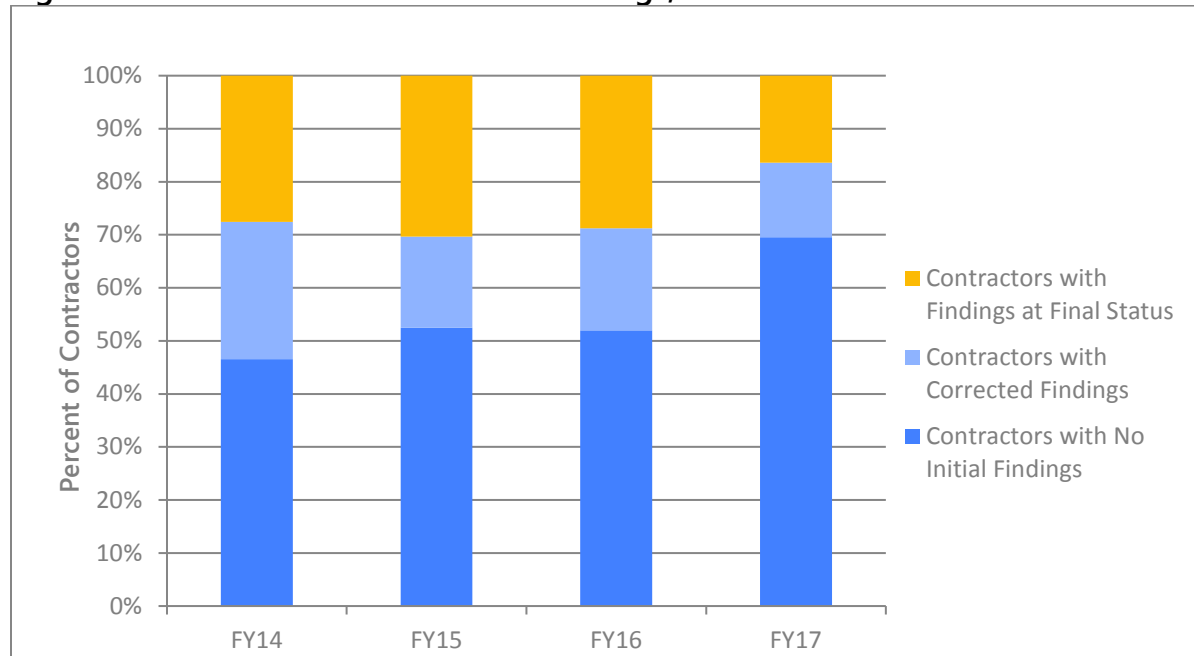


In FY17, 39 contractors had one or more initial findings. Of these, 18 (46% of those with initial findings) corrected all findings to come into full conformance with the monitoring standards by the close of the cycle, bringing the number of contractors in conformance with standards at the close of monitoring to 107 (84%).

See Appendix A for a list of contractors with no findings at the end of the monitoring cycle, including contractors that corrected initial findings completely. Of the 107 contractors on this list, 65 (61%) also had no findings at the close of FY16.

Performance Measures

- **84%** of contractors had zero findings at final status. *Target: 75%*
- **75%** of monitors felt they had adequate support, tools, and training to perform their responsibilities always or most of the time. *Target: 95%*

Figure 2. Contractors' Final Status of Findings, FY14-FY17

The percentage of contractors ending the monitoring cycle in full conformance with all standards has stayed consistent in previous years at 72% (FY14), 70% (FY15), and 71% (FY16). FY17 represents a jump in the percentage of contractors ending the cycle with no findings, as shown in Figure 2.

Findings by Category

Standards fall into two categories: fiscal and compliance. Fiscal standards relate to budgets, cost allocation plans, audited and unaudited financial statements, and invoice procedures, etc., and represent 49 (69%) of the 71 standards. Compliance standards relate to public access to records, personnel policies, emergency operations plans, etc., and account for 22 (31%) of the monitored standards. In FY17, fiscal standards accounted for 81% of all findings at final status, compared to compliance standards, which accounted for 19%.⁵

Between FY16 and FY17, there was a 31% decrease in fiscal findings and a 54% decrease in compliance findings.

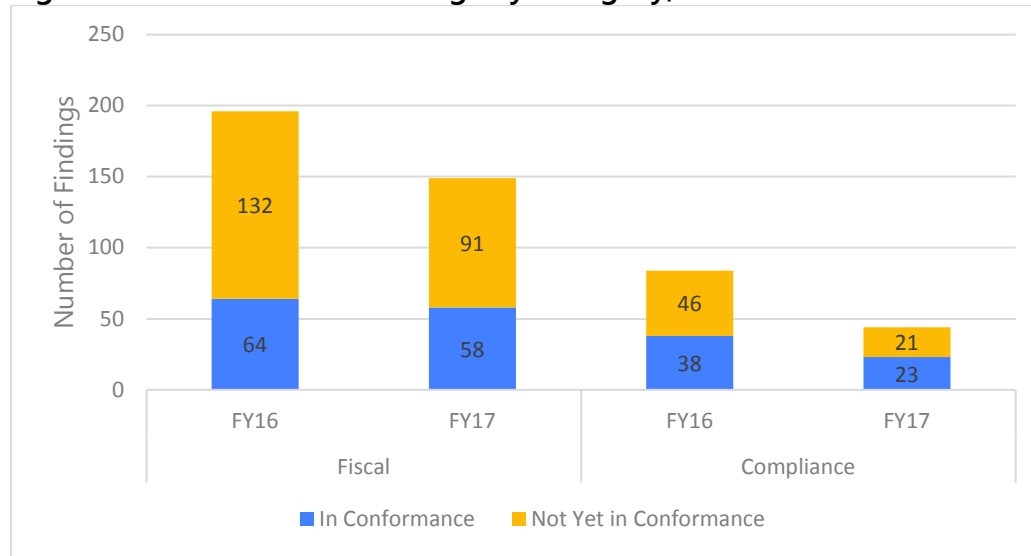
Figure 3 shows the overall number of findings in each of the 16 fiscal and compliance categories that make up the monitoring standards, including the number that were corrected ("in conformance") or not corrected ("not yet in conformance")⁶ within the monitoring year. It is

⁵ Self-assessments do not require monitoring of all compliance standards, which may account for some of the proportional difference.

⁶ When contractors respond to findings by submitting a plan to address the issue, e.g., a plan to revise fiscal policies during the coming year, the City monitors may approve the plan and close the monitoring cycle. However, the contractor is "not yet in conformance" until that plan has been fully implemented and City monitors verify the change has been made, usually during the next monitoring cycle.

worth noting that initial findings can include easily-corrected issues such as missing paperwork. Matching the general year-to-year trend noted above, contractors received fewer initial and final findings in FY17 compared to FY16. However, the proportion of contractors correcting their fiscal findings (“in conformance”) is similar between the two years: 38% in FY17 compared with 33% in FY16. Similarly, FY17 saw slightly more contractors correcting initial compliance findings, with 53% of compliance findings corrected in FY17 compared to 45% in FY16. Between FY16 and FY17, there was a 31% decrease in fiscal findings and a 54% decrease in compliance findings.

Figure 3. Final Status of Findings by Category, FY16-FY17



Performance Measures

- **100%** of monitors stated their teams worked well together always or most of the time. *(Target: 95%)*
- **100%** of monitors reported they were confident about their findings always or most of the time. *(Target: 95%)*

Fiscal Standards

In FY17, *Cost Allocation Procedures* and *Financial Reports* were the two standard categories that saw the most findings – both with 16 contractors not in conformance with standards (see Figures 4 and 5). For all but one standard category the number of contractors with findings decreased between FY16 and FY17. Only the *Tax Form* category increased between the two years. The *Audited Financial Statements* category saw the largest decrease in findings (63%) between years.

Over the last three years, the *Audited Financial Statements* category has experienced some significant shifts. In FY15, contractors had 24 findings in the category. In FY16, the Monitoring Program added a new standard requiring contractors to complete their audit within six months

of the close of their fiscal year, which led to a 75% increase in findings in the *Audited Financial Statements* category, with 18% of monitored contractors failing to meet the new standard. In the second year applying the new standard, just three contractors remained out of conformance at the close of FY17.

Figure 4. Fiscal Findings by Category, FY16-FY17

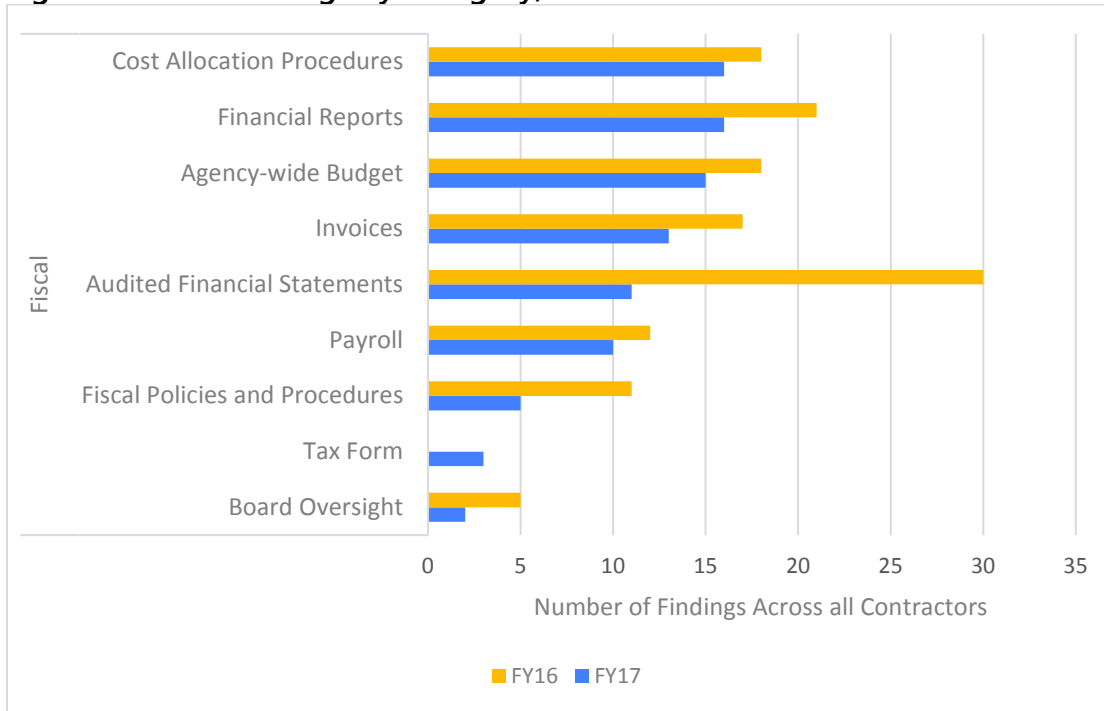


Figure 5. Percent Decrease in Fiscal Findings by Category, FY16-FY17

Standard Category	% Decrease from FY16
Cost Allocation Procedures	11%
Financial Reports	24%
Agency-wide Budget	17%
Invoices	24%
Audited Financial Statements	63%
Payroll	17%
Fiscal Policies and Procedures	55%
Tax Form	Increased
Board Oversight	60%

The most common standard for which contractors were not in conformance was in the *Cost Allocation Procedures* category: "Procedures for cost allocation match actual cost allocation practices." This standard asks monitors to verify that the contractor is actually allocating costs within invoices and financial statements as planned through its budgeting process. Six contractors (5%) ended FY17 with this finding. See Figure 6 for the most common fiscal findings in FY17.

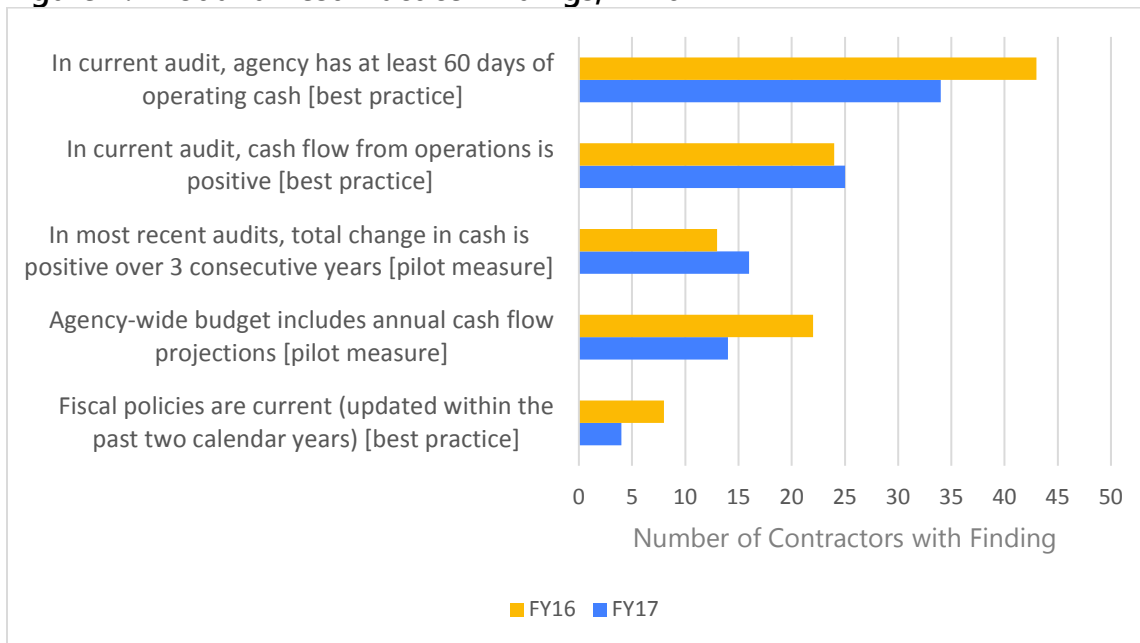
Figure 6. Top Fiscal Findings, FY17

Category	Standard	Number of Contractors with Finding
Cost Allocation Procedures	Procedures for cost allocation match actual cost allocation practices found in the agency-wide budget and financial documents	6
Agency-wide Budget	Shows income and expense by program	5
Financial Reports	Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year	5
Invoices	Tested expenses on invoices appear to be reasonably associated with the program budget	5
Financial Reports	Balance Sheet: Working capital ratio is greater than 1	5
Agency-wide Budget	Shows allocation of shared and indirect costs by program	4
Payroll	Timesheets: If employee time is paid by more than one source, it is recorded by funding source or program on timesheets	4
Payroll	Timesheets of employees paid with City funds list hours worked that are consistent with invoices	4
Tax Form	Federal 990 return filed for most recent tax year or request for extension submitted on time	3

The Monitoring Program continued to pilot two financial standards and measured three fiscal best practices during FY17. The Monitoring Program uses “pilot” standards to test a new standard before making it official, and to allow contractors time to learn about the standard and come into conformance. Based on the testing, the pilot standard may or may not become officially monitored. The Monitoring Program is unlikely to make fiscal best practices into formal standards, as they may not be feasible or relevant for all contractors. For example, a strong nonprofit may show a negative cash balance in their audit based on the timing of revenues or having made a large capital purchase recently. However, all of the pilot and best practice standards are key indicators of financial health and support the City monitors efforts to assess the capacity and sustainability of funded programs.

While 11% of contractors (14 contractors) did not include cash flow projections within their agency-wide budgets, this represents a 36% reduction in findings for this pilot standard, down from 22 in FY16 (see Figure 7). This year, there was a 21% reduction in the number of contractors with fewer than 60 days of operating cash on hand, per their most recent audit. Both are important sustainability metrics.

Figure 7. Pilot and Best Practice Findings, FY16-FY17

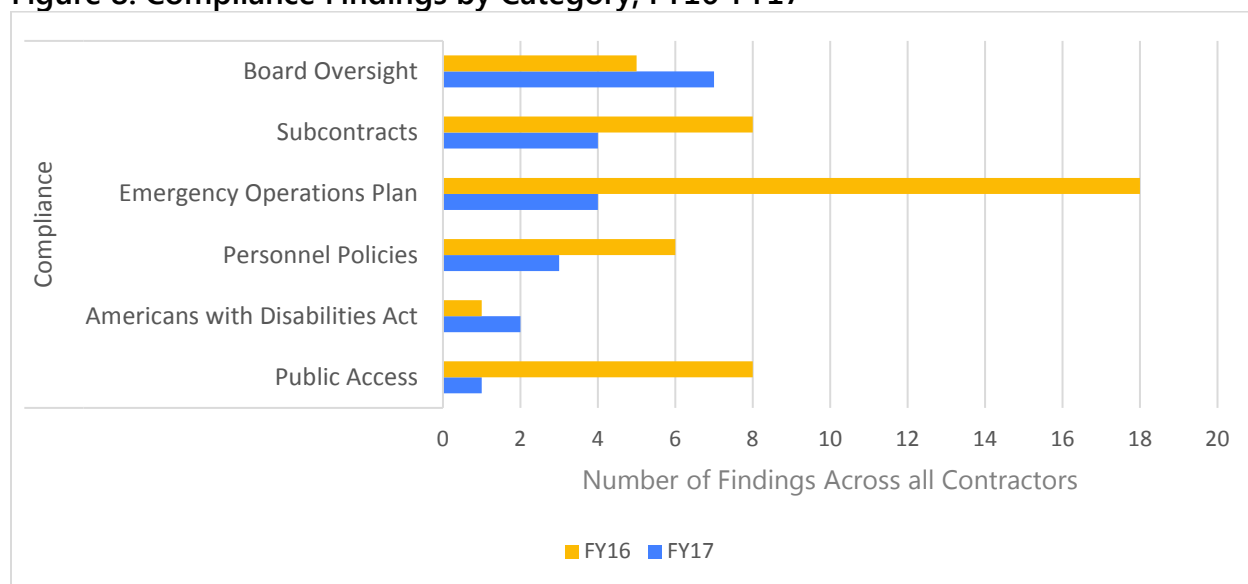


Performance Measures

- 92% of nonprofits report a clear understanding of the fiscal and compliance elements to be monitored. (Target: 95%)

Compliance Standards

Similar to fiscal standards, there were also substantial changes in the compliance section. Four out of the six categories saw decreases in findings between FY16 and FY17, including an 88% decrease in the number of findings within the *Public Access* category, a 78% decrease in findings in the *Emergency Operations Plan* category, and 50% decrease in findings in both the *Subcontracts* and *Personnel Policies* categories. Nonprofits experienced an increase in findings in the *Board Oversight* and *Americans with Disabilities Act* categories between FY16 and FY17, at 40% and 100%, respectively (see Figure 8).

Figure 8. Compliance Findings by Category, FY16-FY17

The most common compliance finding in FY17 related to oversight by the Board of Directors (see Figure 9). In FY17, six contractors' boards (5%) did not conduct annual performance reviews of the agency's Executive Director.⁷

Figure 9. Top Compliance Findings, FY17

Category	Standard	Number of Contractors with Finding
Board Oversight	Board conducts an Executive Director performance review annually	6
Americans with Disabilities Act	Staff is trained regarding Contractor's ADA policies and procedures	2
Subcontracts	Documentation that procurement procedures in the Contractor's fiscal policies and procedures were followed by Contractor to select subcontractors (if applicable)	2

Governance Standards

In addition to the fiscal and compliance monitoring standards, the Monitoring Program assesses governance practices through a "Governance Review Checklist." Because these standards are considered best practices, they are not part of the findings analysis, and they do not require contractors to take corrective action, though contractors are encouraged to adopt them over time as part of a strong organizational governance structure.

Ten contractors (8%) did not follow one or more governance best practices, a reduction from last year's count of 17 contractors (14%), and continuing a multi-year improvement trend in this

⁷ There were no findings in two categories: Licenses and Data Universal Numbering System (DUNS). The Board Oversight category includes both fiscal and compliance standards and appears in both Figure 4 and Figure 8.

category. A total of 14 findings in FY17 spanned the various best practices outlined in Figure 10 below, a 66% reduction from 41 best practice findings in FY16.

Figure 10 shows trends in governance findings since FY14. There have been some changes in how best practices are monitored, and which are labeled best practices versus standards (i.e., resulting in formal findings if not met). The most common unmet governance best practice in FY16 saw a 75% reduction in FY17. The best practice asks that board members review the IRS Form 990, which encourages board members to better understand the financial position of the organization.

Figure 10. Governance Best Practice Findings, FY14-17

Board of Directors Best Practices	FY14	FY15	FY16	FY17
Board reviews IRS Form 990 (or is distributed to members)	n/a	n/a	12	3
Agency has a Board Manual documenting the best practices described here	n/a	8	5	3
Conflict of interest policy exists	n/a	4	4	2
Board leadership positions filled	2	6	4	2
Achieve quorum at every meeting	4	5	3	2
Participate in annual giving to agency	0	4	5	1
Assist with the raising of funds	8	3	3	1
Board is conducting active recruitment to fill vacancies	4	1	3	0
Bylaws define term limits, quorum, committee structures, and voting/decision-making processes	1	2	2	0

Performance Measures

- 94% of nonprofits agree or strongly agree the Program ensures the monitoring is efficient and reduces duplication. *(Target: 85%)*

CONTRACTOR OUTCOMES

As noted above, 84% of monitored contractors ended the FY17 monitoring cycle in full conformance with City standards. The remaining 21 contractors ended FY17 with one or more findings, and while many of these contractors are likely to address these issues prior to the next monitoring cycle, the Monitoring Program uses a multi-year analysis of contractor findings to highlight areas of potential risk and to target technical assistance efforts.

A high number of findings or repeated findings can signal potential instability in the financial and organizational health of a nonprofit – and ultimately an organization’s ability to provide effective and sustainable services to residents in need. Through the annual monitoring process,

City monitors identify contractors struggling to meet the monitoring standards so they can receive support through one-on-one technical assistance, coaching and training to resolve findings.

Contractors with the Most Findings in FY17

There were six contractors with five or more findings that were not brought into conformance by the end of the monitoring year. Three of these contractors had five findings total, while the remaining three stand out with 18, 21, and 25 findings each at final status. Two of these six contractors have already begun receiving technical assistance (TA) to improve upon their monitoring findings, and a third has been referred but has not yet engaged.

In FY16, there were 16 contractors with five or more findings at final status. In FY17, there were just 6.

In FY16, 16 contractors had five or more findings, but all sixteen have reduced the number of findings to fewer than five in FY17.

The most common issues for FY17 contractors with significant findings relate to cost allocation procedures. Four contractors on the list do not follow the cost allocation practices as planned in their budgets, three have agency-wide budgets that do not show allocation of shared and indirect costs by program, and three do not show income and expense by program. Effective cost allocation practices help ensure a nonprofit has sufficient funding to run each program, and confirms for the City that costs are appropriate and not funded by multiple sources. Findings in the area of cost allocation are potential indicators of structural weaknesses in a nonprofit's fiscal operations.

Contractors with Repeated Findings between FY16 and FY17

There were four contractors with one or more repeated findings between FY16 and FY17. Of these contractors, two have received and completed technical assistance through the Controller's Office, and one of these has also engaged in technical assistance through another City department. Consistent with prior trends, most of the repeated findings were in fiscal categories: agency-wide budget, audited financial statements, and financial reports.

Performance Measures

- On average, nonprofits received **2.5 fewer** fiscal findings in FY17 compared to FY16. *Target: TBD.*
 - **64%** of nonprofits maintained zero fiscal findings in FY16 and FY 17. *Target: TBD.*
-

Though some financial standards are difficult to address within a year, repeated findings (i.e., not meeting a standard or correcting a finding two years in a row) are important indicators of noncompliance with monitoring standards. Contractors that do not adequately address findings

from year to year may be labeled “unresponsive,” which can lead to placement on elevated concern or red flag status. Per the Corrective Action Policy, see Appendix C for a list of contractors with repeated findings in FY17.

CORRECTIVE ACTION POLICY

As an outgrowth of the Monitoring Program, the City initiated a Corrective Action Policy⁸ in 2011. This policy encourages 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 fails 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’s Office may place nonprofit contractors on an “elevated concern” or a “red flag” status if the organization meets the specified criteria and does not respond to the City’s efforts to bring it into compliance with standards. City departments or the Controller’s Office 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 Monitoring Program’s joint monitoring process.

Elevated Concern Status

Designation of elevated concern status results in the provision of mandatory technical assistance to support the nonprofit in establishing sound fiscal and management practices. Elevated concern will not result in defunding, though if the nonprofit is unresponsive to technical assistance and remains out of compliance with monitoring requirements, the status may be heightened to red flag, for which de-funding is an option.

Multiple years of high-priority findings can signal a contractor’s noncompliance with a prior year’s corrective action plan. The Corrective Action Policy specifies certain monitoring findings that trigger the Controller’s Office to identify a contractor for elevated concern status.

FY16 Elevated Concern Results

FY16 monitoring resulted in five nonprofits being placed on elevated concern. All five contractors developed a comprehensive action plan and received varying levels of technical assistance based on that plan. The action plans aimed to correct the specific findings that led to elevated concern designation for each contractor, as well as to reduce the total number of findings and generally strengthen financial management practices. City departments used the FY17 monitoring to assess whether the goals of the action plan had been met. At the close of the FY17 monitoring cycle, all five nonprofits significantly reduced the number of findings received in FY17 compared to FY16, with several receiving zero findings in FY17.

Four of the five contractors placed on elevated concern during FY17 had the status removed based on FY17 monitoring results. One nonprofit remained on the status, and in one case where the status was removed, subsequent events destabilized the nonprofit to such a degree that funding departments and the Controller’s Office re-designated the agency.

⁸ See <http://sfcontroller.org/fiscal-and-compliance-monitoring> for the Corrective Action Policy.

FY17 Elevated Concern Designations

Based on FY17 monitoring results and subsequent activities, the Controller's Office and City departments placed or retained the following contractors on elevated concern status:

- African American Arts and Cultural Center
- Mission Language and Vocational School
- Queer Cultural Center

The contractors will receive technical assistance from the City during FY18, and designation of elevated concern will ensure that this technical assistance, and enhanced and coordinated oversight by City departments, will continue until the contractors can sustain financial management practices that meet City standards.

Red Flag Status

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, with recommendations made by the Controller's Office, and in these cases, the department heads also prescribe specific corrective action. For contractors participating in the Monitoring Program, the Corrective Action Policy specifies certain monitoring findings that trigger a recommendation for red flag status by the Controller's Office. Nonprofit organizations designated with red flag status are less competitive (or may be ineligible) in Requests for Proposal (RFP) processes for new grants and contracts.

Based on FY17 monitoring results and activities, City departments did not place any contractors on red flag status.

CAPACITY BUILDING PROGRAM

Technical Assistance

The Controller's Office provides individualized coaching and technical assistance to City-funded nonprofit contractors to help them correct their findings and improve their financial and administrative operations. City monitors refer contractors to technical assistance when the fiscal and compliance monitoring process has uncovered areas of potential financial instability or incapacity.

The Controller's Office funded 248 hours of individual coaching on nonprofit financial management during FY17.

In FY17, the Controller's Office contracted with two consulting firms to provide these activities: Fiscal Management Associates (FMA) and Northern California Community Loan Fund (NCCLF). Technical assistance projects are typically small, discrete tasks, though larger projects are also possible, such as for nonprofits placed on elevated concern status requiring significant levels of support.

The following contractors received technical assistance during FY17:

- African American Arts and Culture Complex (*concluded*)
- Bayview Hunters Point Foundation for Community Improvement (*concluded*)
- Bernal Heights Neighborhood Center (*concluded*)
- Centro Latino de SF (*concluded, agency not jointly monitored*)⁹
- Collective Impact (*concluded*)
- Community Works West (*concluded*)
- Eviction Defense Collaborative (*concluded*)
- Homies Organizing the Mission to Empower Youth (*in progress*)
- Mental Health Association of San Francisco (*concluded*)
- Mission Language Vocational School (*concluded*)
- Potrero Hill Neighborhood House (*concluded*)
- San Francisco Community Empowerment Center (*in progress*)
- West Bay Pilipino (*in progress*)

Technical assistance for these contractors focused on fiscal issues: improving financial reporting and use of QuickBooks to develop financial reports, implementing cost allocation procedures, developing City-compliant budgets, clarifying fiscal policies and procedures, and strengthening fiscal management and oversight, including board oversight and understanding of finances.

In FY17 the City delivered 248 hours of consulting support to nonprofit contractors. The Program spent \$39,556 to provide this support. Together with the nonprofit workshops (more information below), the Program spent nearly \$50,000 to support contractors to have strong fiscal and governance practices.

While technical assistance is usually intended as a brief, preventative intervention of fewer than 20 hours, the City committed significant resources to supporting the five nonprofits placed on elevated concern status during FY17. These contractors received between 12 and 74 hours of coaching support (averaging 36 hours among the five) in addition to regular meetings with City department staff to assess for additional needs.

Performance Measures

- On average, nonprofits received **19 hours** of technical assistance in FY17 (n=13). *Target: 20*
 - **67%** of nonprofits that concluded TA in FY17 reported that the coaching services met their needs (n=3). *Target: TBD.*
 - On average, nonprofits that received TA in FY17 had **8.1 fewer** fiscal findings in FY17 compared to FY16. *Target: TBD.*
-

⁹ Contractors do not need to be in the joint monitoring pool to qualify for assistance, though jointly funded contractors may be prioritized for service as a benefit of participation in the Program.

Spring Nonprofit Training Series

In the spring of each year the Controller’s Office coordinates a series of workshops to build nonprofit capacity in areas related to Monitoring Program standards. Trainings are led by contracted consultant firms, FMA and NCCLF. Each workshop is four hours and is offered first to nonprofits in the joint monitoring pool and then to other nonprofits funded by City departments. Figure 11 includes topics and attendance for FY17 sessions. In total, the Controller’s Office spent \$9,050 to train 60 individuals from 28 organizations.

Figure 11. Spring Training Series Topics and Attendance

Workshop Title	Number of Attendees	Percent of Attendees in the FY17 Joint Monitoring Pool
Financial Planning	33	64%
Operational Excellence	17	65%
Fiduciary Responsibilities of Board of Directors	24	42%

Fall Monitor Training Series

Each fall, the Controller’s Office coordinates a series of workshops to help City monitors apply standards consistently, understand how to support nonprofits through the monitoring process, and to engage in building nonprofit capacity in general. Additionally, the Controller’s Office hosted a coaching session during the FY17 monitoring cycle to allow monitors to bring current questions and issues for expert advice. FMA provided the FY17 workshops, and in total the Controller’s Office spent \$10,000 in consultant costs to deliver these trainings. Figure 12 includes details about series topics and attendees.

Figure 12. Fall Monitor Series Topics and Attendance

Workshop Title	Number of Attendees
Monitoring 101	14
Assessing Your Grantees’ Health	22
Financial Planning	20
Financial Coaching Session	Approx. 20

Performance Measures

- **98%** of nonprofits rate the training series as very helpful or somewhat helpful (of those who attended). *Target: 95%*
- **89%** of monitors rate the training series as very helpful or somewhat helpful (of those who attended). *Target: 95%*

APPENDIX A: Contractors with No Findings

By the close of the FY17 monitoring cycle, 107 contractors (84%) were in full conformance with all City standards. The table below lists each of these contractors and indicates whether that contractor also ended FY16 in full conformance (i.e., had no findings in the prior year).

Contractor	No Findings Prior Year?	Contractor	No Findings Prior Year?
AIDS Housing Alliance		Community Works West, Inc.	
AIDS Legal Referral Panel of the SF Bay Area	Not in FY16 pool	Community Youth Center of San Francisco	Yes
APA Family Support Services	Yes	Conard House Inc	
Arriba Juntos – IAI		Curry Senior Center	Yes
Asian Americans Advancing Justice - Asian Law Caucus		Episcopal Community Services of San Francisco, Inc.	Yes
Bay Area Legal Aid	Yes	Eviction Defense Collaborative, Inc.	
BAYCAT	Yes	FACES-SF	
Bernal Heights Neighborhood Center		Felton Institute	Yes
Booker T. Washington Community Service Center	Yes	Filipino American Development Foundation	FY16 monitoring not completed
Brava For Women in the Arts		Friendship House Association of American Indians	Not in FY16 pool
Catholic Charities CYO	Yes	Glide Community Housing	
Causa Justa - Just Cause	Yes	Glide Foundation	
Center on Juvenile and Criminal Justice	Yes	Good Samaritan Family Resource Center, Inc	
Central American Resource Center		Gum Moon Residence Hall	Yes
Children's Council of San Francisco	Yes	Hamilton Family Center, Inc.	Yes
Chinese for Affirmative Action	Yes	HealthRight 360	Yes
Chinese Newcomers Service Center	Not in FY16 pool	Hearing and Speech Center of Northern California	
Chinese Progressive Association	Yes	Homebridge	Yes
Collective Impact		Homeless Prenatal Program	Yes
Community Awareness and Treatment Services	Yes	Horizons Unlimited of San Francisco	Yes
Community Housing Partnership	Yes	Huckleberry Youth Programs	Yes
Community Initiatives	Yes	Hunters Point Family	

Contractor	No Findings Prior Year?	Contractor	No Findings Prior Year?
Institute on Aging		Northern California Presbyterian Homes and Services	Yes
Instituto Familiar de La Raza, Inc.	Yes	Performing Arts Workshop	Yes
International Institute of the Bay Area		Portola Family Connections	Yes
Japanese Community Youth Council	Yes	Positive Resource Center	FY16 Waiver
Jewish Community Center of San Francisco	Yes	Project Open Hand	Yes
Jewish Family and Children's Services	Yes	Providence Foundation of San Francisco	Yes
Jewish Vocational Service	Yes	Rafiki Coalition for Health and Wellness	
Justice and Diversity Center-SF Bar Association	Yes	Renaissance Entrepreneurship Center	FY16 monitoring not completed
Larkin Street Youth Services	Yes	Richmond Area Multi-Services, Inc.	FY16 Waiver
Lavender Youth Recreation and Information Center		Richmond District Neighborhood Center	Yes
Lawyers' Committee for Civil Rights of the San Francisco Bay Area	Yes	San Francisco AIDS Foundation	Yes
Legal Assistance to the Elderly	Yes	San Francisco Child Abuse Prevention Center	Yes
Legal Services for Children	Yes	San Francisco Conservation Corps	Yes
Lighthouse for the Blind and Visually Impaired	Not in FY16 pool	San Francisco Food Bank	Yes
Lutheran Social Services of Northern California	Yes	San Francisco Housing Development Corporation	FY16 monitoring not completed
MAITRI	Yes	San Francisco LGBT Community Center	
Mary Elizabeth Inn	Yes	San Francisco Network Ministries Housing Corporation	Yes
Meals on Wheels	Not in FY16 pool	San Francisco Sheriff's Department 5 Keys Charter School	Yes
Mental Health Association of San Francisco		San Francisco Study Center	
Mission Asset Fund	Yes	Self-Help for the Elderly	Yes
Mission Economic Development Agency	FY16 Waiver	Shanti Project	Not in FY16 pool
Mission Hiring Hall	Yes	South of Market Child Care, Inc.	Not in FY16 pool
Mission Language and Vocational School		Southeast Asian Community Center	Yes
Mission Neighborhood Centers, Inc.	Yes	Special Service for Groups	
Mission Neighborhood Health Center		St. James Infirmary	Not in FY16 pool
My Path	Yes	Success Center SF	Yes

Contractor	No Findings Prior Year?	Contractor	No Findings Prior Year?
Sunset District Community Development - Sunset Youth Services	Yes	United Playaz	
Swords to Plowshares Veterans Rights Organization	Yes	Vietnamese Youth Development Center	
Tenderloin Housing Clinic, Inc.	Yes	Wu Yee Children's Services	Yes
The Arc Of San Francisco	Yes	Young Community Developers	
Tides Center	Yes	Youth Leadership Institute	
Toolworks Inc			

APPENDIX B: Good Performance Waivers

Departments may grant a one-year waiver from Citywide fiscal and compliance monitoring for exceptional fiscal and compliance performance by a nonprofit contractor. Contractors may be eligible for a Good Performance Waiver (“waiver”) if all the following are true:

- The contractor had no findings in the prior two years of Citywide fiscal and compliance monitoring.
- The contractor had no findings in the prior two years of external audit, and, if applicable, the A-133 audit.
- The contractor had no turnover in the Executive Director or Chief Financial Officer positions within the past two fiscal years.
- The contractor did not receive a waiver within the last three years.

In some circumstances, a contractor meets the criteria, but must still receive a monitoring visit due to federal funding requirements. All nonprofit contractors receiving a waiver must receive a site visit in the subsequent year.

The following nonprofit contractors received a waiver in FY17:

- Asian Neighborhood Design
- Asian Women’s Shelter
- Bay Area Community Resources
- Central City Hospitality House
- Chinatown Community Development Center
- Compass Family Services
- Donaldina Cameron House
- Homeless Children's Network
- La Casa de las Madres
- Mission Housing Development Corporation
- Mujeres Unidas y Activas
- Seneca Center
- YMCA of San Francisco

APPENDIX C: Contractors with Repeat Findings

The Corrective Action Policy requires the Controller’s Office to list nonprofits in the Monitoring Program with repeated findings. Though some financial standards are difficult to address within a year, repeated findings (i.e., not meeting a standard or correcting a finding two years in a row) are important indicators of nonresponsiveness or noncompliance with monitoring standards. The table below lists the four contractors monitored in FY17 with findings from FY16 repeated in the current year. The table only shows repeated findings, not all findings the contractor may have received in FY16 or FY17.

African American Art and Culture Complex
Audited Financial Statements
Audit completed within six months of the close of the contractor's fiscal year
Fiscal Policies and Procedures
Complete (contains internal controls, financial reporting, accounts payable and receivable, payroll and procurement)
Charity Cultural Services Center
Agency-wide Budget
Shows income and expense by program
Potrero Hill Neighborhood House
Audited Financial Statements
Audit completed within six months of the close of the contractor's fiscal year
Financial Reports
Balance Sheet: Working capital ratio is greater than 1
Westside Community Services
Agency-wide Budget
15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts
Financial Reports
Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year

APPENDIX D: Performance Measures

#	Category	Measure	Target	FY15 Actual	FY16 Actual	FY17 Actual
1	Monitoring Process	% of monitors who state their monitoring teams worked well together always/most of the time	95%	80%	100%	100%
2	Monitoring Process	% of monitors reporting that they were always or most of the time confident about their findings	95%	89%	91%	100%
3	Monitoring Process	% of monitors who felt they had adequate support, tools, and training to perform their responsibilities always or most of the time	95%	78%	82%	75%
4	Monitoring Process	% of nonprofits who agree or strongly agree the Program ensures the monitoring their nonprofit experiences is efficient and reduces duplication	85%	73%	85%	94%
5	Monitoring Process	% of nonprofits who report a clear understanding of the fiscal and compliance elements to be monitored in their contracts	95%	100%	88%	92%
6	Capacity Building Process	# of hours (average) of technical assistance delivered to each nonprofit (FY17 n=13)	TBD			19
7	Monitoring Outcome	% of nonprofits with zero findings at final status	75%	70%	71%	84%
8	Monitoring Outcome	Average difference in fiscal findings nonprofits received in the prior year	TBD			2.5
9	Monitoring Outcome	% of nonprofits that maintained zero fiscal findings in the current and previous fiscal year	TBD			64%
10	Monitoring Outcome	% of nonprofits who agree or strongly agree the Program helps ensure their nonprofit has strong, sustainable fiscal operations.	TBD			84%
11	Capacity Building Outcome	% of monitors who rate the training series as very helpful or somewhat helpful (of those who attended)	95%	100%	100%	89%
12	Capacity Building Outcome	% of nonprofits who rate the training series as very helpful or somewhat helpful (of those who attended)	95%	100%	94%	98%
13	Capacity Building Outcome	Average difference in fiscal findings for nonprofits that received technical assistance in the previous fiscal year	TBD			8.1
14	Capacity Building Outcome	% of nonprofits that received technical assistance and reported that the coaching services met their needs	70%			67%