City and County of San Francisco

Office of the Controller – City Services Auditor

# CITYWIDE NONPROFIT MONITORING AND CAPACITY BUILDING PROGRAM

## Fiscal Year 2014-15 Annual Report

*September 3 , 2015*

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**CONTROLLER'S OFFICE**
**CITY SERVICES AUDITOR**

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

# Table of Contents

**Executive Summary** ..... 4

## Report Sections

I. Program Overview ..... 5
II. FY15 Monitoring Results ..... 7
III. Technical Assistance, Coaching, and Trainings ..... 15
IV. Program Performance Measures ..... 18

## Figures

1. Percent of Contractors with Initial Findings …7
2. Actual Findings as Percent of Total Possible Findings …7
3. Final Status for Contractors …8
4. Final Status for Fiscal and Compliance Findings …8
5. Final Status by Standard Category …9
6. Top Fiscal Findings …10
7. Top Compliance Findings …10
8. Governance Best Practice Findings …11
9. Pilot and Best Practice Findings …12
10. Contractors with the Most Findings …13
11. Contractors with Repeated Findings between FY14 and FY15 …14
12. Change from FY14 to FY15 in Repeated Findings for Revised Standards …14
13. Percent of Contractors that Agree or Strongly Agree with the Following General Statements about the Program …18

## Appendices

A. List of Contractors with No Monitoring Findings.....App-2
B. Repeated Findings between FY14 and FY15 by Contractor.....App-3
C. Changes to Monitoring Standards in FY15.....App-4
D. Program Performance Measures.....App-7
E. City Monitoring Staff and Contractor Annual Program Survey Results.....App-8

**Monitoring Results Dataset:** http://openbook.sfgov.org/webreports/details3.aspx?id=2196

## Executive Summary

Each year, the City and County of San Francisco contracts with hundreds of nonprofit organizations to provide critical services, such as health, housing, job training, family support and others, throughout the City. The Citywide Nonprofit Monitoring and Capacity Building Program (Monitoring Program) consolidates contract monitoring requirements related to fiscal and organizational health for nonprofit contractors that receive funding from multiple City departments. This streamlined approach saves both City taxpayers and nonprofits time and money. The Monitoring Program specifically assesses nonprofit contractors in three broad areas of organizational health: Fiscal (e.g. Financial Reports, Audit, Fiscal Policies and Procedures, Agency-wide Budget and Cost Allocation Procedures); Compliance (e.g. Personnel Policies, Emergency Operations Plan, Americans with Disability Act, Sunshine Laws); and Governance Best Practices (e.g. board giving, board oversight, and board policies). The Monitoring Program also identifies nonprofit contractors 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.

In Fiscal Year 2014-2015 (FY15), the Monitoring Program included 127 nonprofit providers with an aggregate of over $330 million in City funding from nine departments. This Annual Report documents the FY15 monitoring results, discloses nonprofit contractors placed on "elevated concern" or "red flag" status (when applicable), and provides an overview of major program activities.

**Monitoring Results Summary**

- A total of 127 contractors participated in the monitoring pool in FY15, an increase of four contractors since last year.
- Initial "point in time" monitoring in FY15 resulted in 48% of contractors receiving one or more findings – a 5% decrease from last fiscal year. The remaining 52% did not receive any initial findings.
- Contractors addressed 42% of the 287 initial findings before the monitoring cycle closed in June 2015, on par with last fiscal year (at 41%).
- Contractors corrected compliance findings within the monitoring year at a much higher rate than fiscal findings – 57% of initial compliance findings were corrected compared to 36% of initial fiscal findings.
- Nine contractors had five or more uncorrected findings. Seven contractors had one or more unresolved findings repeated from last fiscal year. However, no contractor was placed on Elevated Concern Status on the basis of repeated findings this year. Five of the nine contractors with the most number of findings in FY15 are receiving consulting services to help bring them up to City standards.
- There has been a sustained decrease in monitoring findings over the past five years.

## I. Citywide Nonprofit Monitoring and Capacity Building Program Overview

The Controller's Office coordinates the Monitoring Program for nonprofit organizations receiving multiple City contracts. The nine City departments currently participating in the Monitoring Program jointly conduct annual fiscal and compliance monitoring so that it is done efficiently and uses consistent standards and methods. The Monitoring Program has been in place since 2005 and in FY15 included 127 nonprofit providers with an aggregate of over $330 million in City funding from participating departments.[1]

The Monitoring Program 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. In addition, trainings, peer learning, and forums to provide input are provided to City monitors through a series of topic-specific trainings and "All-Monitor Meetings." See Section 3 for details.

| FY15 City Departments Participating in the Monitoring Program | |
|---|---|
| ARTS | Arts Commission |
| First 5 | Children and Families Commission |
| DCYF | Department of Children, Youth and Their Families |
| DOSW | Department on the Status of Women |
| DPH | Department of Public Health |
| HSA | Human Services Agency |
| MOHCD | Mayor's Office of Housing and Community Development |
| OEWD | Office of Economic and Workforce Development |
| SHF | Sheriff's Department |

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://www.sfcontroller.org/nonprofits. Every year, the Controller's Office trains both nonprofit contractors and City staff on how to meet the standards and generally improve financial and administrative management.

The Monitoring Program conducts a "point in time" assessment of contractors through fiscal and compliance standards that act as indicators of organizational health. City monitors conduct the assessment annually between October and March and issue "Monitoring Report Letters" after the assessment and then "Final Status" letters at the end of the monitoring cycle. Each standard that is not met during the monitoring site visit or desk review (called a "self-assessment") is considered a "finding." When this occurs, monitors provide the contractor with direction on how to meet the standard, and provide the contractor with the opportunity to do so within the monitoring cycle. The Monitoring Program also tracks governance activities as key indicators of organizational health; however, these indicators are considered "best practices" and thus not marked as findings if they are not met.

At the end of the monitoring cycle, City monitors record the final outcome for each contractor in a 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. Per the Monitoring Program's Corrective Action Policy[2], 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.

[1] See Program Results Dataset, Tab 2 for a full list of the nonprofits monitored under the Monitoring Program and the City departments who fund them: http://openbook.sfgov.org/webreports/details3.aspx?id=2196.
[2] Corrective Action Policy weblink: http://www.sfcontroller.org/modules/showdocument.aspx?documentid=2824

## Changes to the Monitoring Standards in FY15

To prepare for the FY15 monitoring cycle, City departments made numerous revisions to the existing Standard Monitoring Form. These changes fall into the following categories:

- *Enhanced Clarity*: The City added additional language to an existing standard to clarify what should be measured or how it should be measured.
- *Strengthened Standards*: The City added new standards or additional testing of existing standards to address whether policies and procedures are in active use by contractors.
- *Increased Flexibility*: The City revised standards to make it easier for contractors to meet the threshold, or removed standards from Self-Assessment reviews.
- *Best Practices*: The City added new standards as "best practices" or indicators of financial health which will be tracked but will not count as findings.

The City added some of the strengthened standards on a pilot basis, to be tracked in FY15 and reviewed prior to potential full implementation in FY16.

A summary of the changes can be found in Appendix C.

## II. FY15 Monitoring Results

### FY15 Monitoring Pool

A total of 127 contractors participated in the monitoring pool in FY15, an increase of four contractors since last year. Departments granted one contractor a waiver from monitoring this year due to strong performance, in accordance with the Monitoring Program's waiver policy. The analysis below excludes four contractors due to scheduling delays.[3] Additionally, two contractors had partial or no final status recorded.[4] As a result, this analysis includes a total of 122 contractors.

The full set of monitoring results includes a list of the contractors in the FY15 monitoring pool and monitoring results, including initial findings and final status for each contractor. The FY15 dataset is available online.[5]

### Trends in Initial "Point in Time" Findings

The initial "point in time" monitoring in FY15 resulted in 48% of contractors receiving one or more findings – a 5% decrease from last fiscal year's initial assessment (as shown in Figure 1).[6] The remaining 52% did not receive any findings upon the initial point in time assessment. When looking at actual findings as a percentage of total possible findings, we see a similar downward trend for the fourth year in a row to 3.3%.

**Figure 1:**
**% of Contractors with Initial Findings**

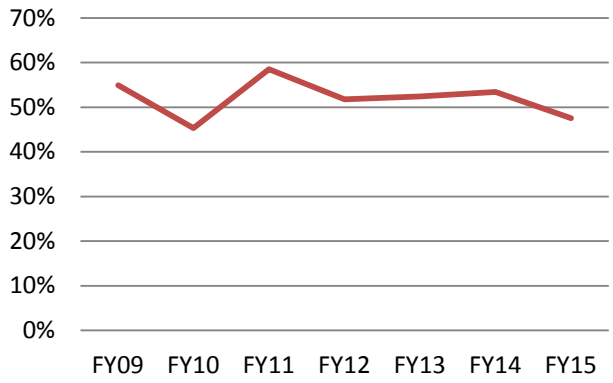
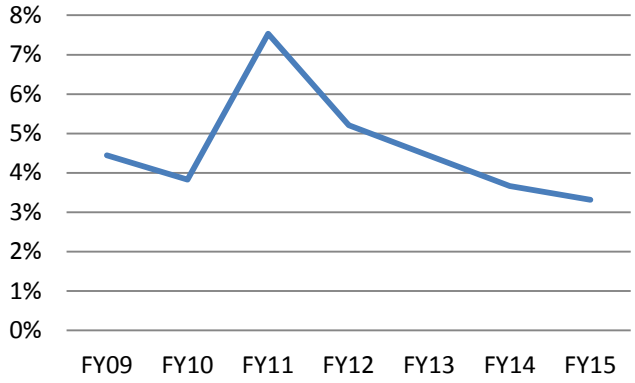



**Figure 2:**
**Actual Findings as % of Total Possible Findings**




The trend may be a result of the Monitoring Program's training and technical assistance for nonprofits, with the goal of increasing clarity and guidance with monitoring requirements and skills-building for fiscal and organizational capacity.

[3] Bay Area Legal Aid, Gum Moon Residence Hall, Mercy Housing California, San Francisco Conservation Corps
[4] Veterans Equity Center (no final status recorded), Bayview Hunter's Point Foundation (partial status recorded)
[5] http://openbook.sfgov.org/webreports/details3.aspx?id=2196
[6] Note: This analysis excludes best practice and pilot findings.

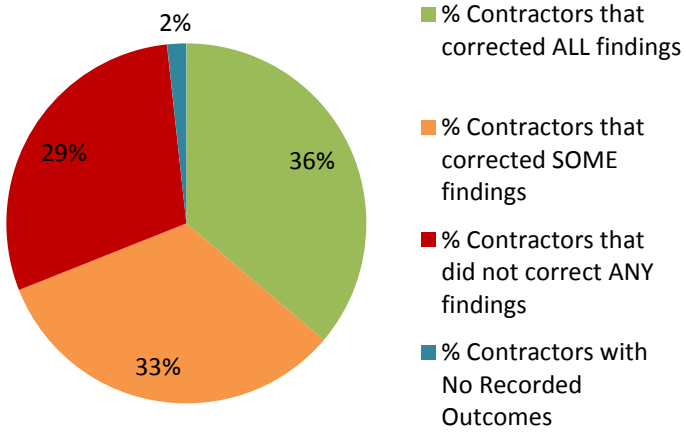
## Final Status of Findings at Close of Monitoring Cycle

Beginning in FY14, the Monitoring Program began tracking how many findings were corrected by the end of the fiscal year.

In FY15, 36% of contractors with initial findings were able to correct all of their findings by the close of the monitoring year, while 33% of contractors corrected some of their findings and 29% were not able to correct any findings (see Figure 3).

As an aggregate, contractors addressed 42% of the total FY15 findings before the monitoring cycle closed in June 2015, on par with last fiscal year (at 41%).

**Figure 3: Final Status for Contractors**

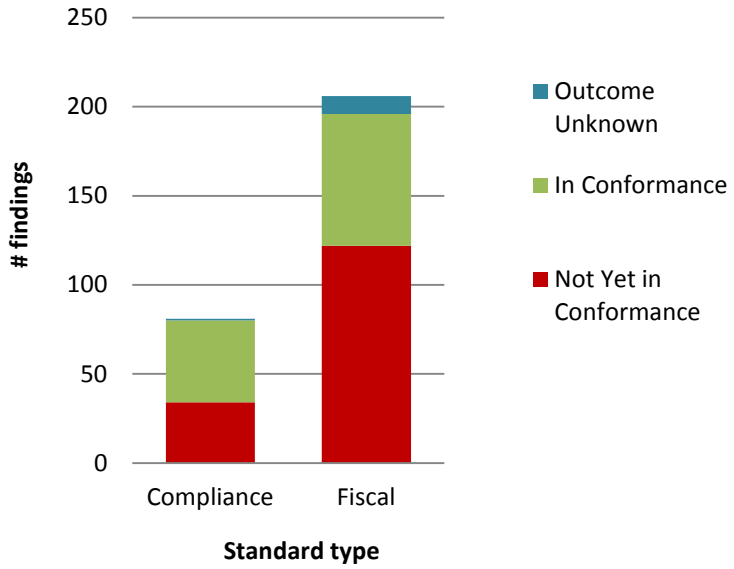



See Appendix A for a list of contractors with no monitoring findings by the end of the fiscal year (contractors with no initial findings or that corrected all findings by the end of the monitoring cycle).

## Final Status of Findings by Standard Type: Fiscal or Compliance

Approximately 75% of initial findings fell under fiscal standards, while the remaining 25% were compliance findings.[7] Figure 4 illustrates the final status of fiscal and compliance findings. Contractors corrected compliance findings within the monitoring year at a much higher rate than fiscal findings – 57% of initial compliance findings (46 findings) were corrected compared to 36% of initial fiscal findings (74 findings).

**Figure 4:**
**Final Status for Fiscal and Compliance Findings**



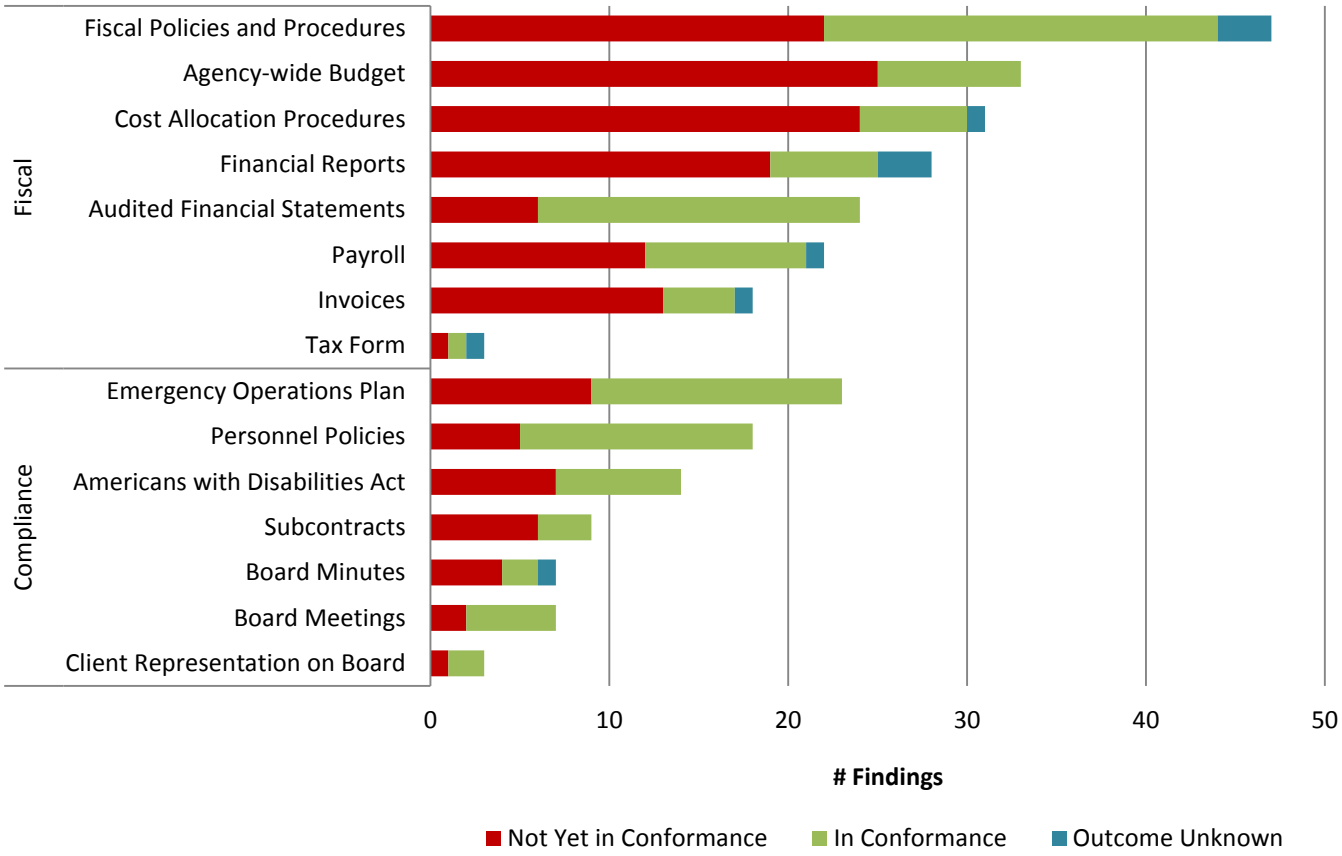

[7] Note: this difference is due in part because there are over twice as many fiscal standards as there are compliance standards (48 versus 23 standards), compliance standards require less long-term or complex remedies to address noncompliance, and only half of the compliance standards (11 standards) are required to be assessed for desk reviews (self-assessments).

## Final Status of Findings by Standard Category

Figure 5 shows the total number of findings broken down by the 18 fiscal and compliance categories that make up the monitoring standards.[8] The chart shows the overall number of findings in each category, as well as the number of findings in each category that were corrected within the monitoring year ("in conformance"), findings that were not corrected ("not yet in conformance"), and findings for which the outcome was not recorded ("outcome unknown").

Overall, contractors had the most findings in the areas of *Fiscal Policies and Procedures*, *Agency-wide Budget*, and *Cost Allocation Procedures*. While the *Fiscal Policies and Procedures* category had the largest number of initial fiscal findings, exactly half of these findings were corrected within the year (excluding unknown outcomes). Many of the other fiscal categories had lower rates of corrected findings, e.g. *Agency-wide Budget, Cost Allocation Procedures,* and *Financial Reports*. An example of a common finding in the Cost Allocation Procedures is being unable to show the *"Process for allocating shared program costs is consistent and reasonable"*. Some of these findings likely required longer-term work or an extended corrective action plan. For example, it may take time and technical assistance for a contractor to redesign its agency-wide budget to show allocation of shared and indirect costs by program. Amongst compliance findings, the *Emergency Operations Plans* category had the most findings both initially and at the close of the monitoring year.

**Figure 5: Final Status by Standard Category**




[8] There were no findings in three categories: Public Access to Records, Licenses and DUNS.

## Findings by Individual Standards: Initial Findings and Final Status

The following tables report the top ten fiscal and compliance standards with the highest number of findings, organized by the number of findings not yet in conformance. Results for fiscal findings show a large breadth, covering the five different fiscal standard categories below. The two standards focusing on cost allocation had the most number of uncorrected findings – 9 each, which is equivalent to 7% of total contractors for each standard. Initial compliance findings were spread across four categories; however were concentrated largely within the emergency operations plan (17 total) and American with Disabilities Act (14 total) categories.

**Figure 6: Top Fiscal Findings**

| Standard Category | Standard | # of Contractors with Findings Not Yet in Conformance | # of Contractors with Findings in Conformance | Final Outcome Unknown | Total Initial Findings |
|---|---|---|---|---|---|
| **Agency-wide Budget** | Shows allocation of shared and indirect costs by program | **9** | 1 | 0 | 10 |
| **Cost Allocation Procedures** | Process for allocating shared program costs is consistent and reasonable | **9** | 1 | 0 | 10 |
| **Fiscal Policies and Procedures** | Current (updated within the past two calendar years or to reflect monitoring/audit recommendations) and implemented | **8** | 3 | 1 | 12 |
| **Financial Reports** | Profit and Loss Statement: Shows year-to-date (YTD) income and expense by program/ contract/ funding source, including indirect costs | **7** | 2 | 1 | 10 |
| **Payroll** | Timesheets: If employee time is paid by more than one source, it is recorded by funding source or program on timesheets | **7** | 4 | 0 | 11 |

**Figure 7: Top Compliance Findings**

| Standard Category | Standard | # of Contractors with Findings Not Yet in Conformance | # of Contractors with Findings in Conformance | Final Outcome Unknown | Total Initial Findings |
|---|---|---|---|---|---|
| **Personnel Policies** | Written and current personnel/employee manual, including: Equal Employment Opportunity; Harassment and Discrimination; Reasonable Accommodation (ADA); Grievance Procedures | **5** | 2 | 0 | 7 |
| **Emergency Operations Plan** | Staff and volunteers were trained within the last year on the emergency plan | **4** | 4 | 0 | 8 |
| **Americans with Disabilities Act** | Written policies and procedures to allow people with disabilities to benefit from services and containing an agency-wide ADA grievance procedure | **4** | 1 | 0 | 5 |
| **Emergency Operations Plan** | At least one fire drill and one earthquake drill have been conducted in last year | **4** | 5 | 0 | 9 |
| **Americans with Disabilities Act** | Staff is trained regarding Contractor's ADA policies and procedures | **3** | 6 | 0 | 9 |

## Governance Best Practices

In addition to the fiscal and compliance monitoring standards, the City assesses governance practices through a "Governance Review Checklist". Because these standards are considered best practices, they are not part of the findings analysis, nor are included in the determination of elevated concern or red flag status. Contractors are not required to come into conformance with these best practices, but are encouraged to adopt them over time as part of a strong organizational governance structure.

Twenty-one contractors (17% of contractors) did not follow one or more governance best practices. A total of 40 findings spanned the different best practices outlined in Figure 8 below. This is a large increase from last fiscal year, where just six contractors received a total of 17 findings. (This increase may be a result of increased attention and training in FY15 on actually completing the Governance Review Checklist to gain more insight into organizational health.)

In FY15, the City added a new best practice in the governance checklist in order to promote the development of a Board Manual documenting the Board's practices. Eight contractors did not have a board manual, the highest number among all of the governance best practices. Another new best practice added in FY15 is whether a "conflict of interest policy exists" – which was not practiced by four contractors.

**Figure 8: Governance Best Practice Findings**

| Governance Best Practices | # of findings |
|---|---|
| Agency has a Board Manual | 8 |
| Board conducts an Executive Director performance review annually | 7 |
| Board leadership positions are filled | 6 |
| Quorum is achieved at every meeting | 5 |
| Conflict of interest policy exists | 4 |
| Board participates in annual giving to agency | 4 |
| Board assists with the raising of funds | 3 |
| Bylaws define term limits, quorum, committee structures, and voting/decision-making process | 2 |
| Agency conducted board recruitment at least once in the past year | 1 |
| **TOTAL** | **40** |

## New FY15 Best Practice and Pilot Standards

The Monitoring Program added a number of new best practice and pilot standards in FY15, as described in the Program Overview section. Because these standards are considered pilots or best practices, they are not part of the findings analysis, nor are included in the determination of elevated concern or red flag status. Contractors were not required to come into conformance with these standards, but were encouraged to adopt them as part of a strong fiscal and organizational structure over time.

Eighty-six contractors (70% of all contractors) did not meet one or more of the new FY15 pilot and best practice standards. A total of 178 findings spanned these standards outlined in Figure 9 below.

At the top of the list, 41 contractors (34% of all contractors) did not incorporate a cash flow projection into their agency-wide budget. Thirty-eight contractors (31%) did not maintain at least 60 days of operating cash

and 35 (29%) did not maintain a positive cash flow over three years, as the table shows. These results are perhaps not surprising, since FY15 was first year the City assessed these standards through the Monitoring Program and there may be some data accuracy or other issues, as monitors and contractors adjust to the standards. However, these pilot findings may indicate serious financial challenges if substantiated in future years.

**Figure 9: Pilot and Best Practice Findings**

| Pilot and Best Practice Standards | # of Contractors with Finding | % of Total Contractors with Finding |
|---|---|---|
| **Agency-wide Budget** | | |
| g. Includes annual cash flow projections | 41 | 34% |
| **Audited Financial Statements** | | |
| e. Audit approved by Board of Directors within six months of the close of the contractor's fiscal year | 35 | 29% |
| k. [Cash Flow] Total change in cash is positive over 3 consecutive years or agency has a reasonable explanation and/or plan to reverse cash outflow | 35 | 29% |
| l. In current audit, cash flow from operations is positive | 22 | 18% |
| m. In current audit, agency has at least 60 days of operating cash | 38 | 31% |
| **Public Access to Records** | | |
| a2. Contractor has a written Sunshine policy | 6 | 5% |
| **Subcontracts** | | |
| d. Monitoring of subcontracts where services are provided to clients (i.e., not vendor or consultant subcontracts) included an assessment of standards 7a., 7b. and 7c. on this Monitoring Form | 1 | 1% |
| **Total** | **178** | |

## Contractors with the Most Findings in FY15

A high number of findings or repeated findings can signal potential instability in the organizational and financial 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 staff 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.

Figure 10 shows a list of contractors with five or more findings that were not brought into conformance by the end of the monitoring year.[9] Of these contractors, one received technical assistance in FY15 and four are scheduled to receive technical assistance in FY16 as a result of this year's monitoring. *Cost allocation procedures* were the most common category of unresolved findings for these contractors. *Agency-wide budget* and *fiscal policies and procedures* came in as the second and third highest categories of unresolved findings.

[9] As noted previously, findings have not been determined for the following contractors, thus they are not included in this analysis: Bay Area Legal Aid, Gum Moon Residence Hall, Mercy Housing California, and San Francisco Conservation Corps. Final status was not determined for Veterans Equity Center (8 initial findings), thus is also not included in this analysis.

The single highest uncorrected finding was that six of the nine contractors below did not allocate shared and indirect costs by program in their agency-wide budgets.[10]

**Figure 10: Contractors with the Most Findings**

| Contractor Name | # Findings Not Yet in Conformance | # Findings In Conformance |
|---|---|---|
| Mental Health Association of SF** | 19 | 2 |
| Renaissance Parents of Success** | 19 | 3 |
| Bernal Heights Neighborhood Center | 16 | |
| Brava Theater Center | 10 | |
| Potrero Hill Neighborhood House** | 9 | 3 |
| African American Art and Culture Complex* | 8 | 8 |
| Mission Language and Vocational School** | 8 | |
| Homeless Children's Network | 8 | |
| Good Samaritan Family Resource Center, Inc. | 5 | |

** Received technical assistance in FY15*
*** Scheduled to receive technical assistance in FY16*

## Contractors with Repeated Findings between FY14 and FY15

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. Per the Monitoring Program's Corrective Action Policy[11], contractors that do not adequately address findings from year to year may be labeled "unresponsive," which can lead to placement on Elevated Concern Status.

*After assessing the types and amounts of repeated findings in FY15, the City will not place any contractor on Elevated Concern status based on repeated findings.*

Figure 11 below lists the seven contractors with one or more repeated findings between FY14 and FY15, listed in order of greatest to least number of repeated findings. Of these contractors, one received technical assistance in FY15. See Appendix B to view the specific findings that were repeated.

This is the first year the Monitoring Program has been able to determine repeated findings based on the *final status* instead of initial findings. As a result, previous annual reports showed much higher numbers of contractors with repeated findings, e.g. 18 contractors with repeated *initial* findings in FY14 compared to seven contractors in FY15. Consistent with the past, most of the repeated findings were in fiscal categories: Cost Allocation Procedures, Agency-wide Budget, and Fiscal Policies and Procedures.

[10] See the dataset for the complete list of findings for all contractors: http://openbook.sfgov.org/webreports/details3.aspx?id=2196
[11] Corrective Action Policy weblink:http://www.sfcontroller.org/modules/showdocument.aspx?documentid=2824

**Figure 11: Contractors with Repeated Findings between FY14 and FY15**

| Contractor Name | # of Repeated Findings | Finding Categories |
|---|---|---|
| African American Art and Culture Complex* | 4 | Cost Allocation Procedures |
| APA Family Support Services | 2 | Personnel Policies<br>Americans with Disabilities Act |
| Bayview Hunters Point Foundation for Community Improvement* | 2 | Agency-wide Budget<br>Cost Allocation Procedures |
| Brava for Women in the Arts | 2 | Agency-wide Budget<br>Fiscal Policies and Procedures |
| Nihonmachi Legal Outreach | 2 | Financial Reports |
| Arab Cultural and Community Center | 1 | Personnel Policies |
| Eviction Defense Collaborative | 1 | Agency-wide Budget |

** Received technical assistance in FY15*

In prior years, the standards in Figure 12 were found to result in repeated findings by numerous contractors. As a result, the Monitoring Program revised its Standard Monitoring Form to account for the fact that these standards were difficult for contractors to address within a year's time.

For example, acquiring a target level of funding from non-City sources can be difficult for many contractors whose primary business model includes providing City-funded services. As a result, the City changed the criteria to accept fundraising *efforts* towards this goal as meeting the standard. Similarly, achieving a two-to-one ratio of assets to liabilities is challenging for nonprofits, as it requires raising unrestricted revenue to build reserves. To be more responsive to meeting basic industry standards, the City lowered the threshold, allowing contractors to demonstrate sufficient assets to cover their liabilities (i.e., a one-to-one ratio).

The result of these changes was a significant drop in repeated findings for these two standards, as shown in Figure 12. For example, the overall number of uncorrected findings for the working capital ratio standard dropped by approximately half since last fiscal year.

**Figure 12: Change from FY14 to FY15 in Repeated Findings for Revised Standards**

| Category | FY14 Standard | # of Repeated Findings | FY15 Revised Standard | # of Repeated Findings |
|---|---|---|---|---|
| **Agency-wide Budget** | f. 15% of funding from non-City sources | 9 | f. 15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts | 2 |
| **Financial Reports** | c. Current assets exceed current liabilities by 2 to 1 | 4 | b. Working capital ratio is greater than 1 | 0 |

## III. Technical Assistance, Coaching, and Trainings

### Technical Assistance

In an effort to help contractors correct their findings and improve their overall operations, the Controller's Office provides coaching and technical assistance to City-funded nonprofits. These services have been provided through a long-term partnership with CompassPoint Nonprofit Services, an organization with broad professional and community experience in nonprofit management. In FY 15, the Controller's Office broadened its pool of technical assistance providers and trainers through a new request for proposals, and, as a result, pre-qualified additional vendors to assist in the following service areas: (1) Nonprofit Fiscal Management; (2) Nonprofit Governance; (3) Nonprofit Fundraising and Board Development; (4) Strategic Planning and Evaluation; (5) Fiscal Agency and Management Service Organization Services; and (6) Contract Administration and Compliance.

The City has since entered into contracts with Fiscal Management Associates, Northern California Community Loan Fund and Social Policy Research Associates to provide technical assistance, trainings and coaching for both City monitors and City-funded nonprofit contractors.

During FY15, the following contractors received technical assistance:

1. African American Arts and Cultural Complex
2. Booker T. Washington Community Service Center
3. Collective Impact
4. Gum Moon Residence Hall

The technical assistance focused on fiscal issues: improving financial statements, implementing cost allocation procedures, developing City-compliant budgets, clarifying fiscal policies and procedures, and strengthening fiscal management and oversight.

Following FY15 monitoring, City monitors referred the following contractors for technical assistance (to occur mostly in FY16):

1. Community Living Campaign
2. Community Technology Network
3. Mental Health Associates of San Francisco
4. Mission Language & Vocational Services
5. Mission Neighborhood Center (ongoing from FY14)
6. Potrero Hill Neighborhood House
7. Renaissance Parents of Success

The Controller's Office and technical assistance providers met with these contractors and developed action plans in the areas of: budgeting cost allocation procedures, fiscal policies and procedures, financial reporting, structure of the finance function, accounting systems, and overall financial sustainability.

## Bayview Nonprofit Capacity Building Project

Building on previous neighborhood-based capacity building projects, the Controller's Office and a multi-departmental Steering Committee launched the Bayview Nonprofit Capacity Building Project in FY14. The project, continuing into FY15, provided technical assistance, coaching, and training to selected nonprofits serving Bayview residents. By strengthening organizational infrastructure, the project aimed to increase each nonprofit's capacity to serve vulnerable Bayview residents.

The project focused on Bayview-serving nonprofit organizations that receive City funding. The amount and duration of assistance varied depending on the needs of participating organizations. Thirteen nonprofits applied to the program. The Project Steering Committee selected seven nonprofits to participate (all but one was in the "joint monitoring pool" in FY15):

- Bayview Hunters Point Foundation for Community Improvement
- Bayview Hunters Point Multipurpose Senior Services
- Bayview Opera House
- Black Coalition on AIDS
- Hunters Point Family
- Old Skool Café (not in the Monitoring Program)
- San Francisco Housing Development Corporation

In partnership with CompassPoint Nonprofit Services, these seven contractors received support in FY14 and FY15 on such critical topics as budgeting, cost allocation plans, financial systems improvement, board development, fundraising, and staff leadership. Although the needs of each organization differed, participating nonprofits reported in a post-project evaluation survey that the technical assistance project was beneficial to their organization, that they achieved their intended outcomes, and that they would recommend this program to other nonprofits with whom they work. Most organizations spent between 50 and 60 hours on technical assistance and identified future goals that could benefit from additional services.

The major accomplishments of participating contractors included: navigating a successful leadership transition; planning a programmatic merger; building executive leadership capacity and board engagement; gaining a shared understanding of board and staff roles; increasing leadership's understanding of best practices in budgeting; and shifting board culture around financial management and fiscal oversight.

Some contractors noted that the City could have provided additional trainings and check-in meetings, especially those related to the theory of change, to help staff realize long-term goals and the connection to the organization's programs. Another suggestion was to develop best practices and guidelines as a resource, in coordination with the consultant, to provide suggested standardized procedures for contractors.

The main challenge that participating contractors reported was not having enough time internally to dedicate to the capacity building efforts. Since these were smaller nonprofit organizations doing dynamic work, gathering internal resources and dedicating them to the technical assistance effort was a challenge for most. The consultant identified similar resource and scheduling challenges as well as change management concerns about transitions to new systems and staff changes. Despite these challenges, participants found the technical assistance beneficial to the organization as a whole and for participating staff member's professional development.

## Spring 2015 Nonprofit Training Series

Each year, the Controller's Office organizes a Spring Training Series for contractors in the Nonprofit Monitoring Program pool. In FY15, the Controller's Office again surveyed contractors to assess interest and need, and revised the training offerings accordingly. Partnering with CompassPoint Nonprofit Services, the Controller's Office offered three workshops during the spring of 2015: (1) Building Better Budgets, (2) Strategy Formation for Sustainability and Impact, and (3) Engaging your Board in Governance and Fundraising. Fifty-one nonprofits participated in at least one workshop, with 68 total participants (duplicated) at the three sessions. In the evaluation forms, participants overwhelmingly rated the workshops either "excellent" or "very good".

## Fall 2014 City Monitor Training Series

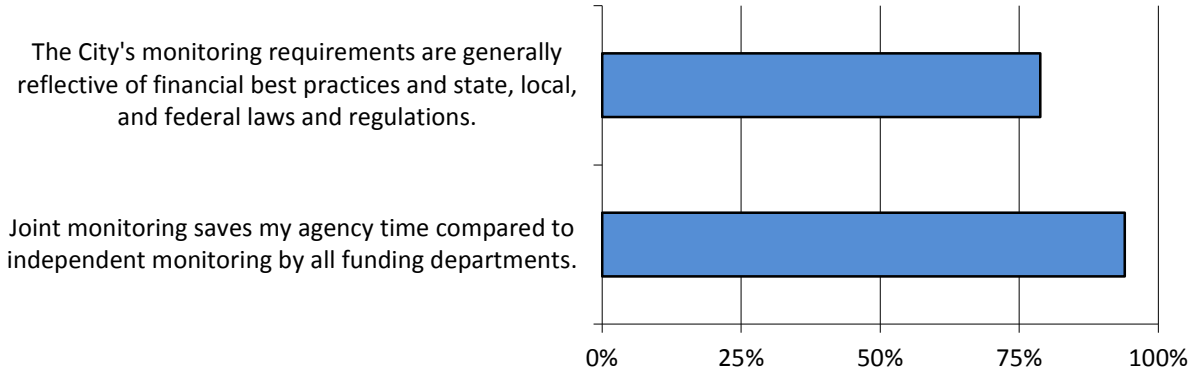
Each year, the Controller's Office also organizes a Fall Training Series for City monitors participating in the Monitoring Program. In FY15, the Controller's Office again surveyed City monitors to assess capacity building need, and revised the training offerings accordingly. Partnering with CompassPoint Nonprofit Services, the Controller's Office offered four workshops during the fall of 2014: (1) Monitoring 101, (2) Budgets, Financial Statements, and Fiscal Policies and Procedures, (3) Cost Allocation, Timesheets & Invoices: BASIC, and (4) Cost Allocation, Financial Statements, & Audits: ADVANCED. Eight-eight people attended the training series in total, nearly evenly split among the four workshops. Overall, attendees were pleased with the workshop content and instructors and they particularly appreciated the real life examples and hands-on group work.

## IV. Program Performance Measures

The Controller's Office evaluates the Citywide Nonprofit Monitoring and Capacity Building Monitoring Program using a variety of process and satisfaction measures derived from year-end surveys of City monitors and contractors. The Controller's Office also evaluates whether monitors adhered to Monitoring Program guidelines. Trends for all performance measures can be found in Appendix D. Full results of the surveys are included in Appendix E.

The Monitoring Program has many goals, but of particular interest to the Controller's Office is whether the program is efficient (i.e., it saves time) and whether it is effective (i.e., it monitors the right standards). The survey of contractors provided the following feedback about these two areas.

**Figure 13: Percent of Contractors that Agree or Strongly Agree with the Following General Statements about the Program (n=33)**




With 94% of respondents agreeing that the Monitoring Program saves them time compared to individual monitorings by each department, it's clear that the process is efficient for the contractors. A lower percentage of respondents (79%) indicated that the standards are reflective of best practice for the industry. The Controller's Office will continue in its efforts to ensure that the program standards are consistent with regulations and are effective at illustrating the fiscal health of the City's service providers. To that end, the Controller's Office sought specific feedback about the City's standards from contractors, and their responses have been summarized in Appendix E.

## Appendices

A. List of Contractors with No Monitoring Findings …….. 2

B. Repeated Findings between FY14 and FY15 by Contractor ……. 3

C. Changes to Monitoring Standards in FY15 ……. 4

D. Program Performance Measures …… 7

E. City Monitoring Staff and Contractor Annual Program Survey Results …….. 8

## APPENDIX A: Contractors with No Findings in FY15

Eighty-five contractors (70%) had no findings at the end of the FY15 monitoring year. This includes 23 contractors (18%) that had no initial findings, 21 contractors (17%) that corrected all initial findings by the end of the monitoring year, and 41 contractors (34%) who received only pilot or best practice findings.

- AIDS Legal Referral Panel of the SF Bay
- Arriba Juntos - IAI
- Asian Americans Advancing Justice - Asian Law Caucus
- Asian Neighborhood Design
- Asian Women's Shelter
- AspiraNet
- Bay Area Community Resources
- Bay Area Video Coalition
- BAYCAT
- Bayview Hunters Point Multipurpose Senior Services
- Black Coalition on AIDS
- Catholic Charities CYO
- Center on Juvenile and Criminal Justice
- Central American Resource Center
- Central City Hospitality House
- Charity Cultural Services Center
- Children's Council of San Francisco
- Chinatown Community Development Center
- Community Housing Partnership
- Community Initiatives
- Community Works
- Community Youth Center of San Francisco
- Compass Family Services
- Conard House Inc
- Dolores Street Community Services
- Donaldina Cameron House
- FACES-SF
- Filipino American Development Foundation
- First Place for Youth
- Friendship House Association of American Indians
- Glide Foundation
- Goodwill Industries of SF, San Mateo and Marin
- Hamilton Family Center, Inc
- HealthRight 360
- Homeless Prenatal Program
- Huckleberry Youth Programs
- Hunters Point Family
- Independent Living Resource Center of San Francisco
- In-Home Supportive Services Consortium
- Instituto Familiar de La Raza, Inc.
- Japanese Community Youth Council
- Jewish Family and Children's Services
- Jewish Vocational Service
- Justice and Diversity Center-SF Bar Association
- La Casa de las Madres
- La Raza Centro Legal
- Larkin Street Youth Center
- Lavender Youth Recreation and Information Center
- Legal Assistance to the Elderly
- Legal Services for Children
- Lutheran Social Services of Northern California
- Mission Economic Development Agency
- Mission Hiring Hall
- Mission Housing Development Corporation
- Mission Neighborhood Centers, Inc.
- Mission Neighborhood Health Center
- Mission SF Community Financial Center
- Mt St Joseph-St Elizabeth
- Mujeres Unidas y Activas
- North Of Market Senior Services DBA Curry Senior Center
- Northern California Presbyterian Homes
- Performing Arts Workshop
- Portola Family Connections
- Positive Resource Center
- Prevent Child Abuse California
- Providence Foundation of San Francisco
- Richmond Area Multi-Services Inc (RAMS)
- Richmond District Neighborhood Center
- San Francisco Child Abuse Prevention Center
- San Francisco LGBT Community Center
- San Francisco Network Ministries
- San Francisco Study Center
- Seneca Center
- Southeast Asian Community Center
- Special Service for Groups
- St. Vincent de Paul
- Success Center SF
- Sunset District Community Development (Sunset Youth Services)
- Swords to Plowshares Veterans Rights Organization
- Tenderloin Housing Clinic, Inc.
- The Arc Of San Francisco
- Toolworks Inc
- Vietnamese Youth Development Center
- Westside Community Mental Health Services
- YMCA of San Francisco

## APPENDIX B: Repeated Findings between FY14 and FY15 by Contractor

**African American Art and Culture Complex***

Cost Allocation Procedures:

a. Cost allocation procedures and plan for shared costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget

b. Process for allocating shared program costs is consistent and reasonable

c. Process for cost allocation procedures and plan for indirect costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget

d. Process for allocating indirect costs is consistent and reasonable

**APA Family Support Services**

Americans with Disabilities Act (ADA):

a. Written policies and procedures to allow people with disabilities to benefit from services and containing an agency-wide ADA grievance procedure

Personnel Policies:

a. Written and current personnel/employee manual, including: Equal Employment Opportunity; Harassment and Discrimination; Reasonable Accommodation (ADA); Grievance Procedures

**Bayview Hunters Point Foundation for Community Improvement***

Agency-wide Budget:

f. 15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts

Cost Allocation Procedures:

b. Process for allocating shared program costs is consistent and reasonable

**Brava Theater Center**

Agency-wide Budget:

c. Shows allocation of shared and indirect costs by program

Fiscal Policies and Procedures:

b. Internal controls (safeguarding of assets, authorization of transactions, reconciliation of accounting records) [documented and demonstrated]

**Nihonmachi Legal Outreach**

Financial Reports:

c. Balance Sheet: Current bank reconciliation (as of the last 4 months, at least)

e. Profit and Loss Statement: Shows year-to-date (YTD) income and expense by program/ contract/ funding source, including indirect costs

**Arab Cultural and Community Center**

Americans with Disabilities Act (ADA):

a. Written policies and procedures to allow people with disabilities to benefit from services and containing an agency-wide ADA grievance procedure

**Eviction Defense Collaborative, Inc.**

Agency-wide Budget:

f. 15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts

* *Received technical assistance in FY15*

## Appendix C: Changes to the FY14-15 Standard Monitoring Form

In FY15, City departments made numerous revisions to the existing Standard Monitoring Form categorized in the following ways:

- **Strengthened Standards**: The City added new standards or additional testing of existing standards to address whether policies and procedures are in active use by contractors. Some of the strengthened standards were added on a "pilot" basis, to be tracked in FY15 and fully implemented in FY16. Piloted standards have been indicated below.
- **Best Practices**: The City added new "best practices" or indicators of financial health, which will be tracked but will not count as findings.
- **Increased Flexibility**: The City revised certain standards to make it easier for contractors to meet the threshold, and eliminated some standards from Self-Assessment reviews to decrease the time burden.
- **Enhanced Clarity**: The City included additional language to existing standards to clarify what should be measured or how it should be measured.

| **Strengthened Standards** | |
|---|---|
| **Standard** | **Intent** |
| 1b. Budget must show income and expense by program AND funding source | Budgets must show how each programs income and expenses are balanced, as well as how each source of funding is being spread throughout the agency. |
| 1g. Budget includes annual cash flow projections [pilot] | Cash flow projections help an agency understand how its funds will be used month by month, highlighting areas of potential deficit to be addressed early. |
| 2e. Cost allocation procedures match actual cost allocation found in agency-wide budget and financial documents | Where previous monitoring asked contractors to provide their plan for allocation, this new standard tests that the plan is in use. |
| 3c. No material weaknesses mentioned or going concern stated in the notes to the financial statements | This has been a standard for A-133 audits, and is relevant for standard audits as well. Material weaknesses represent a potential risk for City funds. |
| 3e. Audit approved by Board of Directors within 6 months of the close of the contractor's fiscal year [pilot] | This new standard asks that contractors complete an audit in a timely manner as an indicator of contractor's ability to contemporaneously maintain its accounting records and adequately document accounting transactions. Presentation to the board within 6 months of the close of the year demonstrates the agency has complied. |
| 3k. New testing on Statement of Cash Flows (audit): total change in cash is positive over 3 years or there is a reasonable explanation [pilot] | While other standards related to financial statements look at a point in time, this standard provides monitors with trend data about a contractor's cash position and financial health. |
| 5b-g. Internal controls checklist | Where previous monitoring simply asked contractors to have fiscal policies and procedures in a variety of areas, the new use of a checklist will test whether these policies are in active use by the agency. |
| 11. Contractor has a written policy on Sunshine Ordinance [pilot] | Previously, contractors needed to verbally attest that they followed the Sunshine Ordinance when required. The new standard asks contractors to have a written policy to this effect. |
| 13d. Monitoring of subcontracts where services are provided to clients include an assessment of standards 7a., 7b., and 7c. on the Standard Monitoring Form (Invoices section) [pilot] | Where previous monitoring asked that contractors conduct their own monitoring of subcontractors, this new standard creates a minimum threshold for that monitoring, namely that it include a review and testing of invoices. |

| **Best Practices** | |
|---|---|
| **Standard** | **Intent** |
| 3l. Cash flow from operations is positive | Items l. and m. are best practices used to support analysis regarding the contractor's financial health, as these standards may indicate problems elsewhere. Net cash provided by operating activities should be positive. If not, it may mean the organization is relying on debt or investments to fund its day to day operations |
| 3m. Agency has at least 60 days of operating cash | Maintaining at least 60 days of operating cash is important for financial stability so that a contractor can cover payroll and other expenses, should reimbursements or other expected revenue be delayed. |
| 19i. Conflict of Interest policy exists | This item has been added to the Board of Directors Best Practices section. |
| 19j. Agency has a Board Manual documenting the best practices described here | This item has been added to the Board of Directors Best Practices section. |
| **Increased Flexibility** | |
| **Standard** | **Intent** |
| 1b. 15% funding from non-City sources, or contractor can demonstrate non-City fundraising efforts | While some agencies may not be able to reach the 15% threshold for non-City funds, letters of intent, board fundraising committee minutes, or other documents can demonstrate efforts to expand funding beyond City sources. |
| 6b. Working capital ratio is greater than 1 | In prior monitoring, the assets to liabilities ratio was required to be 2 to 1. This standard (re-named "working capital ratio") lowers the threshold to ask that contractors simply have enough assets to cover their liabilities. |
| 18a. Demonstration of registered DUNS number if contractor receives federal or state funds | This clarification aligns the standard to the actual federal requirement. |
| Items Removed from Self-Assessment:<br>8d-g. Payroll – Timesheets<br>12. Client Representation on Board<br>13. Subcontracts<br>14. Licenses<br>15. Personnel Policies<br>16. Emergency Operations Plan<br>17. ADA<br>18. DUNS | Unless an agency has a prior year finding in one of the standards listed, it will not be required to monitor these items in a self-assessment. |
| DELETED: Overall cash balance is positive | This standard did was replaced by more indicative standards using the Statement of Cash Flows. |
| DELETED: Elevator permit is current | This standard was determined to be outside the purview of this monitoring. |
| DELETED: All sites have received fire inspection | This standard was determined to be outside the purview of this monitoring. |
| **Enhanced Clarity** | |
| **Standard** | **Intent** |
| 8e. Employee and supervisor signatures on timesheets in ink (e-timesheets are acceptable, with demonstration or verification of e-signature, or written procedures about how e-timesheets are signed) | Prior timesheet review allowed for e-timesheets, but provided no guidance on how to certify signatures. |
| 8f. All changes to timesheet are initialed by supervisor and employee in ink (e-timesheets are acceptable with demonstration or verification of the approval process for changes, or written procedures about how e-timesheets are changed) | Prior timesheet review allowed for e-timesheets, but provided no guidance on how to certify changes to the timesheets. |

| | |
|---|---|
| 9d. Minutes show that financial reports are shared with the Board (or finance committee) at least quarterly, or more regularly when financial concerns warrant it | The previous standard stated that reports were shared "regularly." The new standard provides guidance on how frequently financial reports should be shared. |
| 13a. Documentation that procurement procedures (and/or the process for entering into legal agreements) in the Contractor's fiscal policies and procedures were followed by the Contractor to select subcontractors | Contractors may not always "procure" subcontracted services. They may enter into an MOU with a partner to apply for a contract jointly. In these cases, the practices for entering into that legal agreement should be spelled out in the policies (e.g., approval by the Board required, etc.), and the contractor must demonstrate that the policies were followed. |
| 13c. Documentation that contractor regularly monitors fiscal and programmatic performance of subcontractors providing direct services to clients | This monitoring does not require contractors to carry out fiscal and programmatic monitoring of vendors such as consultants. Instead, only subcontracts where direct services are provided to clients should be monitored. |

## APPENDIX D: Performance Measures

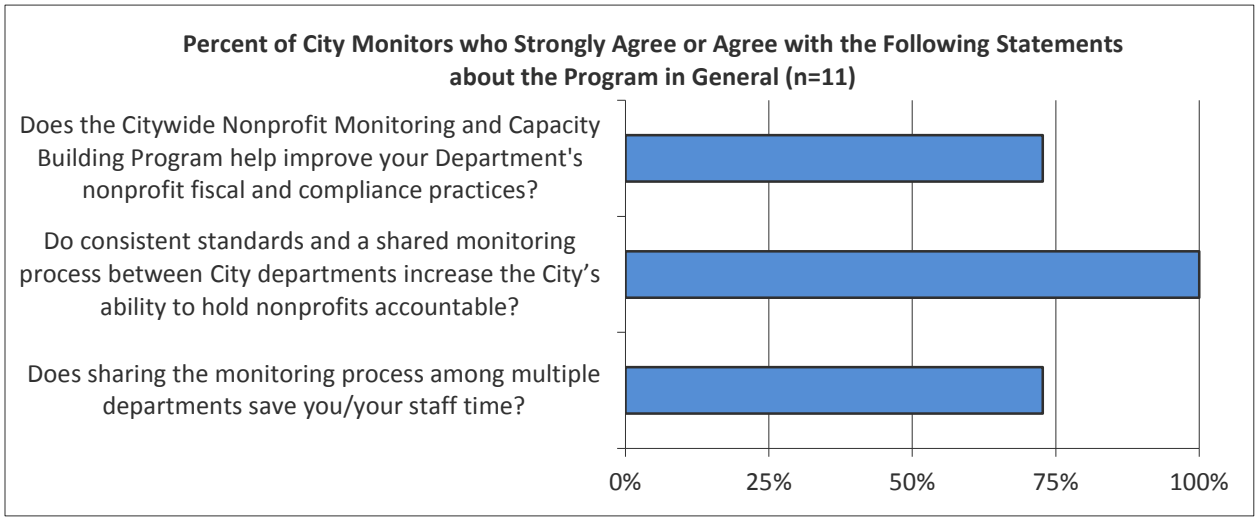
| Measure Number | Category | Measure | Target | FY12 Actual | FY13 Actual | FY14 Actual | FY15 Actual |
|---|---|---|---|---|---|---|---|
| 1 | Monitoring Team Feedback | % of Monitoring Team respondents who state their monitoring teams worked well together always or most of the time | 95% | 100% | 100% | 77% | 80% |
| 2 | Lead Department Representative Feedback | % of Lead Department Representatives reporting that they were always or most of the time confident about their findings | 95% | 95% | 90% | 89% | 89% |
| 3 | Lead Department Representative Feedback | % of Lead Department Representatives who felt they had adequate support, tools, and training to perform their responsibilities always or most of the time | 95% | 89% | 80% | 78% | 78% |
| 4 | Monitoring Processes | % of monitorings are scheduled in the online calendar by December 15, 2012 | 95% | 91% | 87% | 94% | 97% |
| 5 | Monitoring Processes | % of the year's Monitoring Report Letters sent to the contractor/ posted to centralized repository within the deadline | 80% | 67% | 75% | 88% | 84% |
| 6 | Monitoring Processes | % of City staff reporting that the monitoring process among multiple departments saves City staff time | 85% | n/a | n/a | 79% | 73% |
| 7 | Monitoring Processes | % of City staff reporting that consistent standards and a shared monitoring process between City departments increases the City's ability to hold nonprofits accountable | 85% | n/a | n/a | 87% | 100% |
| 8 | Monitoring Processes | % of City staff reporting that the Non-profit Monitoring Program helps improve your Department's non-profit fiscal and compliance practices | 85% | n/a | n/a | 86% | 73% |
| 9 | Contractor Feedback | % of Contractors who report a clear understanding of the fiscal and compliance elements to be monitored in their contracts | 95% | 90% | 100% | 95% | 100% |
| 10 | Controller's Resources | % of City monitors who rate the training series as very helpful or somewhat helpful (of those who attended) | 95% | 91% | 100% | 89% | 100% |
| 11 | Controller's Resources | % of City contractors who rate the training series as very helpful or somewhat helpful (of those who attended) | 95% | n/a | 100% | 100% | 100% |
| 12 | Capacity Building | % reduction in findings for Nonprofits that received technical assistance in the previous fiscal year | 80% | 67% | 50% | 68% | 66% |

# APPENDIX E: City Monitoring Staff and Contractor Survey Responses, FY15

## 1. City Monitoring Staff Survey Responses

The Controller's Office asked City monitors to respond to questions about the Citywide Nonprofit Monitoring and Capacity Building Program at the close of the FY15 monitoring cycle. Eleven monitors (33%) from seven of the nine departments responded.

City Monitors that responded to the survey generally believe the program is successful, as shown in the responses below. However, there is always room for improvement, and monitors offered the feedback that follows.




**Monitors' Ideas for Improving the Program**

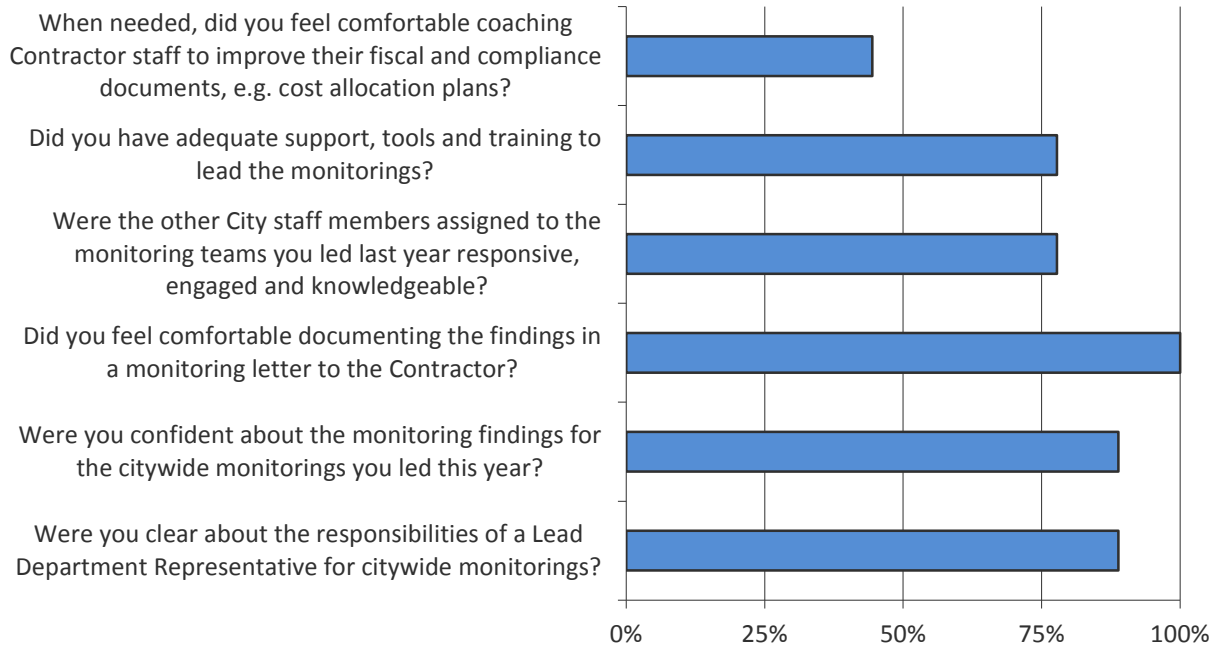
- Additional training for monitors, particularly in fiscal areas
- Automated processes for developing program documents[1]
- Streamlining the Standard Monitoring Form
- Focus the monitoring on fiscal areas only and reduce the number of standards
- Incorporate more of the federal guidelines from the Office of Management and Budget into the monitoring form

Lead Monitors take on the bulk of the duties related to arranging a site visit or self-assessment. Leads responding to the survey indicated low levels of confidence in coaching contractors when they have findings, and would like more support and tools in these areas.

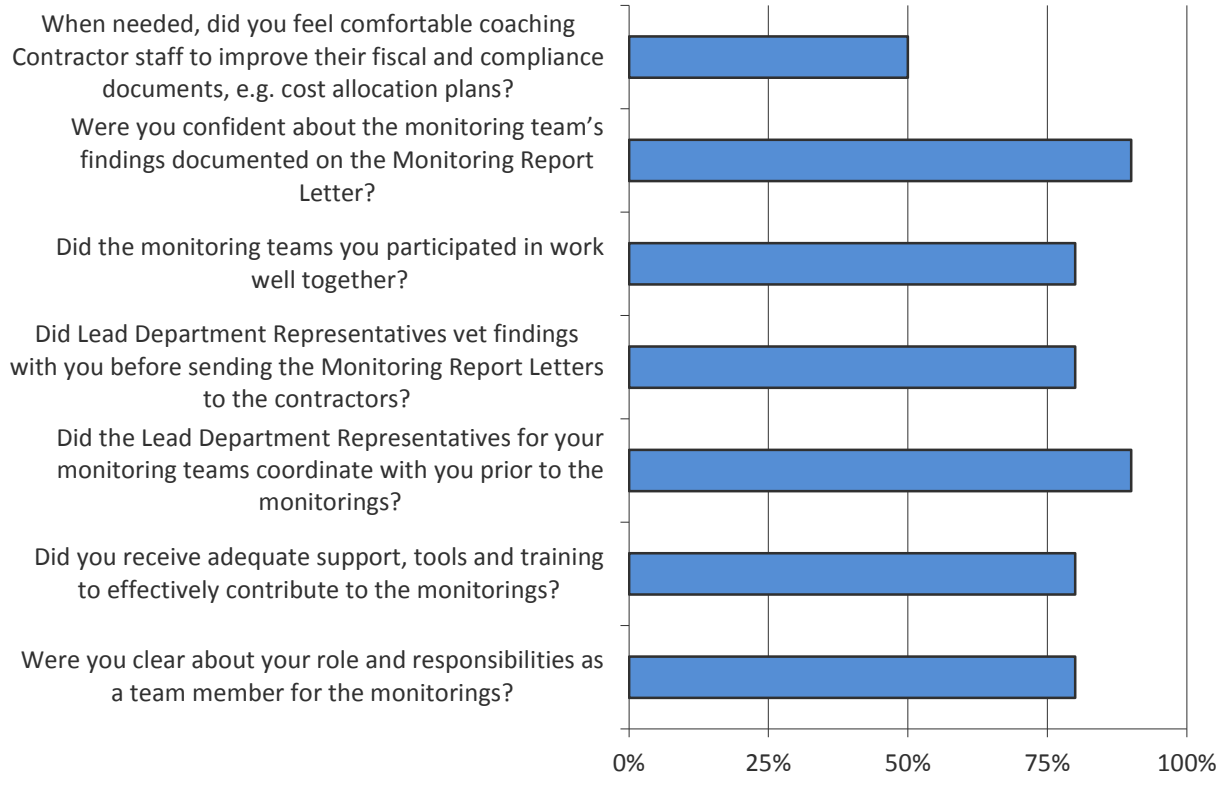
Monitoring Team Members also expressed low levels of confidence in their ability to coach contractors with findings, and while opinions about the program are generally positive, there remains room for improvement in several areas, including ensuring full participation by all team members in the monitoring process.

[1] The Controller's Office is in the process of developing an online workflow for monitors to use to develop monitoring reports and final status letters.

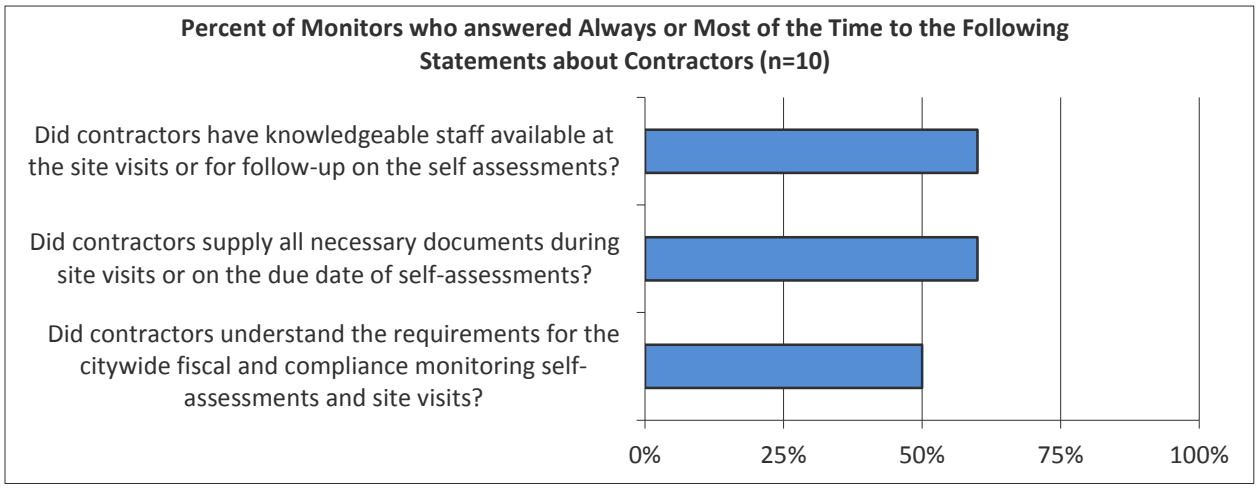
**Percent of Monitors who responded Always or Most of the Time to the Following Statements about being a Lead Monitor (n=9)**



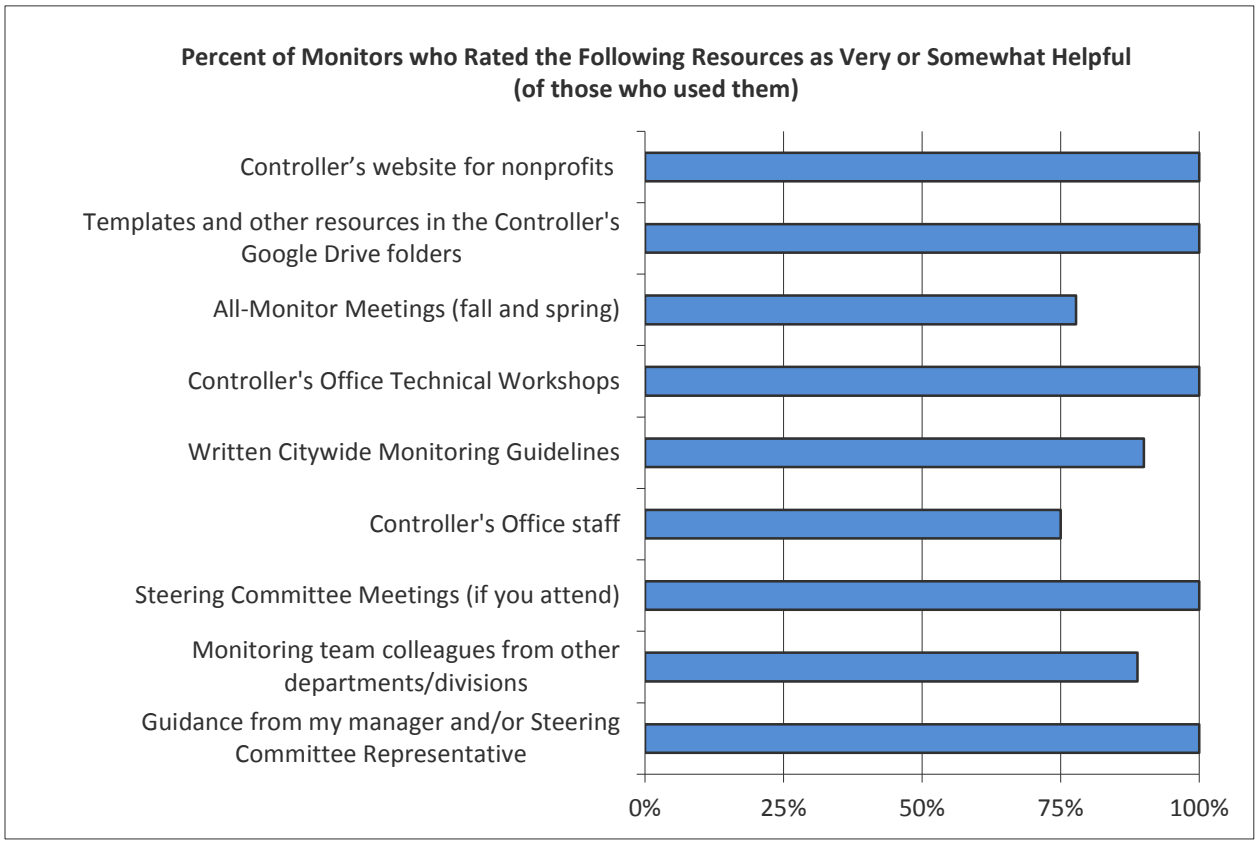

**Percent of Monitors who responded Always or Most of the Time to the Following Statements about being a Team Member (n=10)**



Monitors provided feedback about their interactions with nonprofit contractors. Just half of the monitors who responded to the survey reported that contractors always or mostly understood the requirements of the program. This represents an opportunity for increased communication with nonprofit partners.




The program offers several types of resources to the monitors throughout the year, and the survey asked respondents to rate how helpful these resources proved. The Controller's Office staff and the newly instated "All Monitor Meetings" received mixed reviews for helpfulness, while respondents more clearly appreciated other tools, such as the Controller's Office website and training series for monitors.

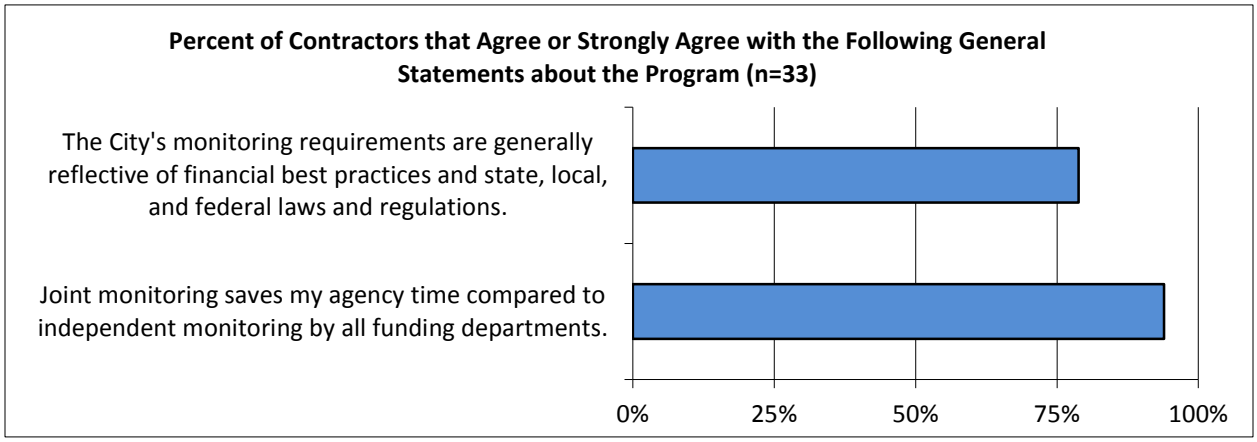


## 2. Contractor Survey Responses

Each year, the Controller's Office solicits feedback from contractors engaged in the Monitoring Program using an online survey. In FY15, 48 contractors responded, representing 38% of the year's pool. The majority of the respondents (65%) received a site visit, while the remainder received a self-assessment.

Respondents were monitored by a mix of lead departments, with the most common lead being DPH or DCYF. The Sheriff's Department was not the lead for any of the contractors responding, but may have been on the monitoring team for one or more of the respondents. Site visits generally required a half day of the contractors' time (67%), though nearly a quarter of visits (24%) required up to a full day.

Most respondents agree that joint monitoring saves time and that the standards are reflective of best practices. Comments shared by nonprofit respondents show a mix of approval for the process, as well as some areas of confusion or dissatisfaction, such as in understanding how to assess certain standards, particularly in a self-assessment.




Respondents offered both positive and critical feedback about the program, both of which can be used to support program improvements. We have summarized the comments related to site visits and self-assessments below.

**Contractors' Feedback about Site Visits and Self-Assessments**

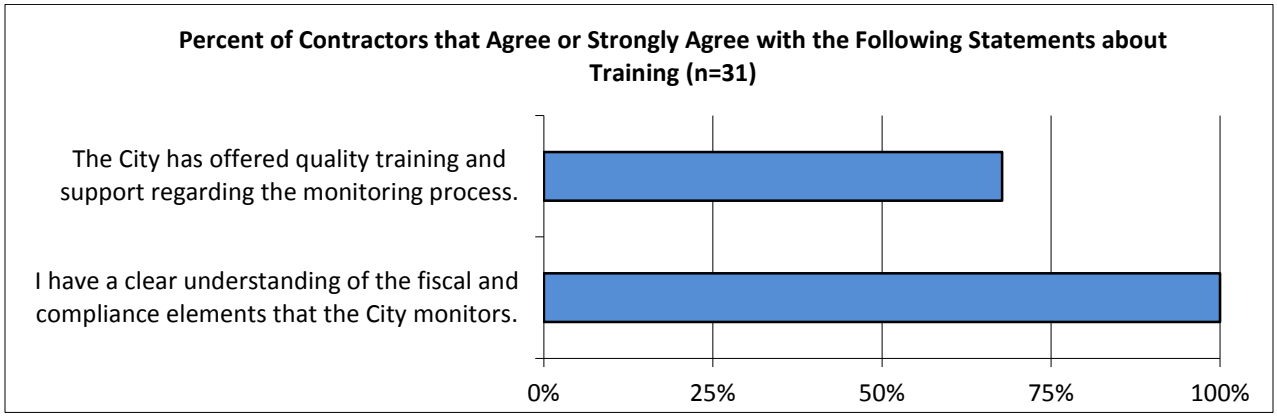
Several respondents indicated approval of the process as a way to meet the City staff and work with them more closely. One said, *"We appreciate the feeling of partnership with the city offices that fund our programs. We have always found them to be supportive, accessible, and sympathetic to our constraints."*

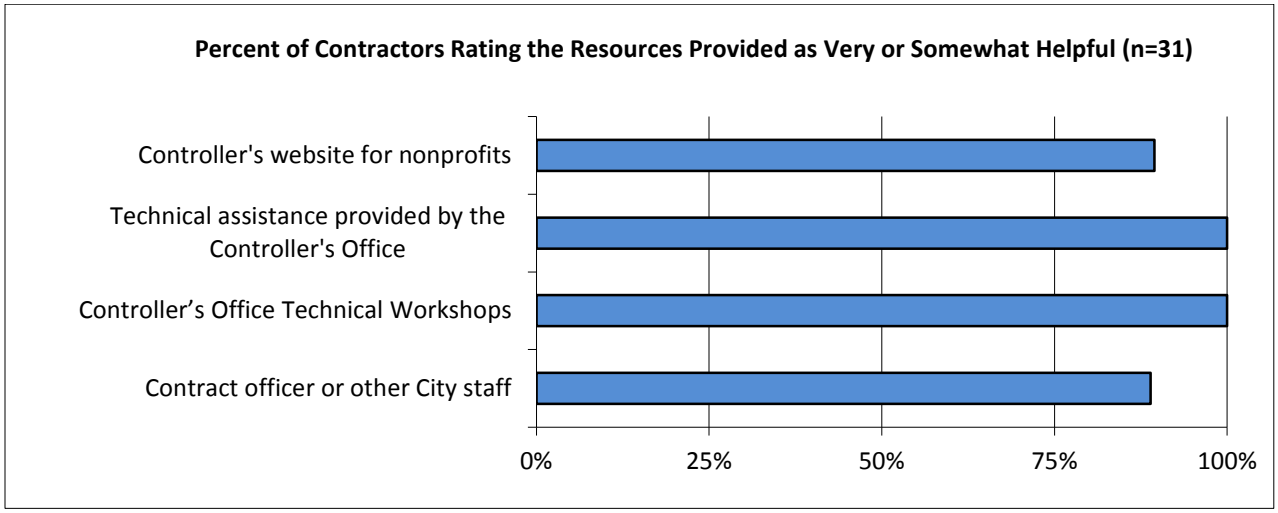
While some respondents stated that they received the technical assistance they requested, a couple of contractors noted a need for improvements in how monitors provide technical assistance related to meeting the standards. One said, *"Pretty haphazard; seemed more retaliatory than useful."*

One contractor commented that the in-person meetings are helpful as they provide space to explain the numbers showing up in the financial documents. *"This conversation lends the texture to what is happening and evolving within the organization and thus deepens the partnership with the agency and its funders."* However, another respondent felt that too much weight was put on the numbers (e.g., the results of certain ratios derived from the audit) without having the opportunity to provide reasonable explanation. This could be a result of variance in how monitoring teams work with contractors or the monitoring team's level of understanding of the standards.

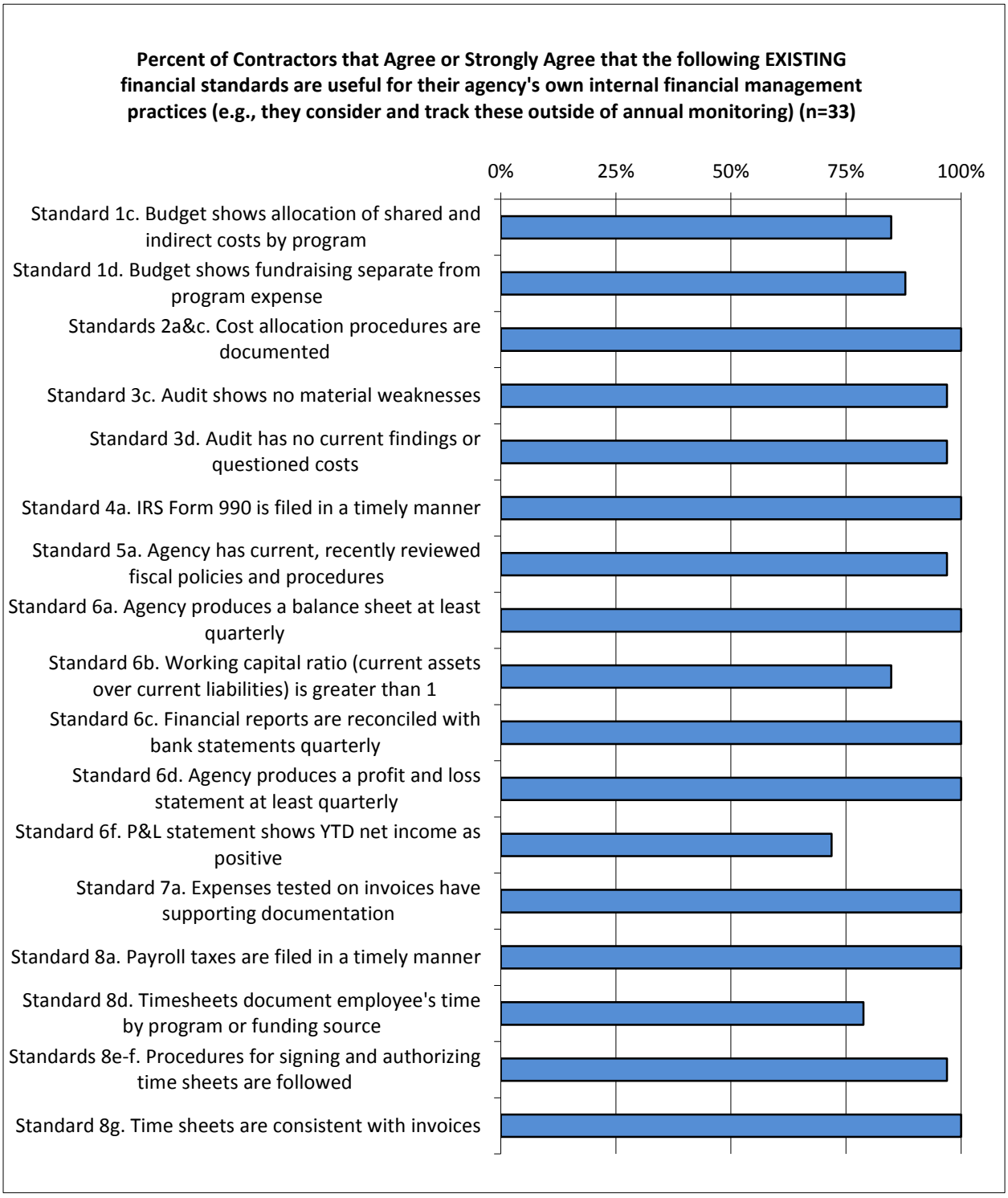
Some of the comments respondents provided indicate a need for further explanation about the monitoring process and the standards from the monitoring team. For example, there were statements about not knowing certain standards were going to be monitored, and questions about how the cash flow ratios are applied, and concerns about how having "minor" compliance findings might be perceived by the public.

Capacity building is a valuable element of the City's program, and contractors generally agree that the resources provided in relation to this program are useful.



New in FY15, the Controller's Office asked nonprofit contractors to provide feedback about the standards themselves via the year-end survey. The City will incorporate this feedback into its process of ensuring the standards are effective at assessing the fiscal health of a nonprofit contractor.

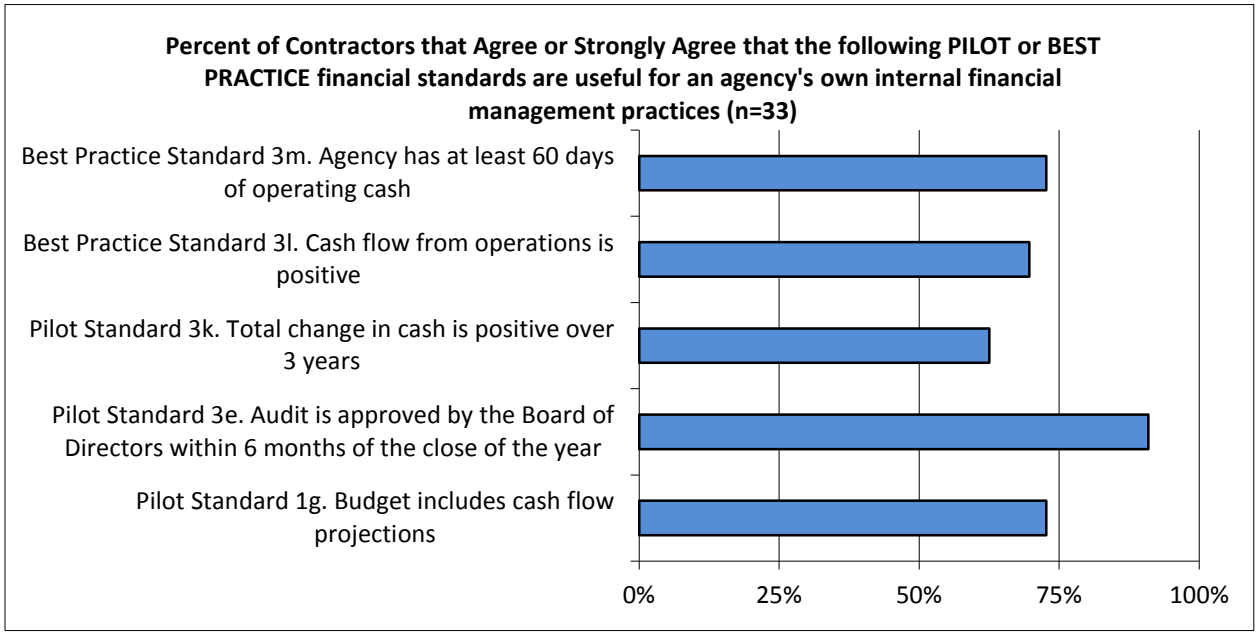


Several respondents commented about the burdensome nature of the standards related to timesheets. Standards require that timesheets be functional, allowing employees to document time spent on specific programs. Timesheets must be signed by both the employee and supervisor and changes must be initialed by both staff members as well. There are certain federal requirements related to how employees' time is allocated to program areas, and accommodating these requirements without undue burden remains an area of growth for the City.

One respondent stated: "Nonprofits financial activity can vary from year to year, it is important to look at several years of activity." This may be challenging given the annual nature of monitoring, but is important feedback that departments generally confirm.

In FY15, the City tested some new standards, labeling these either "pilot" or "best practice" standards. Respondents had more critiques of these new standards than the existing ones, and generally a lower opinion of their utility in assessing financial health.

As noted in the general feedback above, some of the comments seem to relate to a need to communicate the rationale of the standard and to the monitors' need to better understand reasonable explanations for variance. One contractor stated, "The contractor should have a chance to explain the situation. E.g., is spending money on expansion a bad thing? Are we responsible for the City's late payments?" The standards are not meant to penalize a contractor when a reasonable explanation has been provided, and the frustration conveyed in this comment and others like it speaks to the need for more training about the standards.




The Controller's Office requested contractors share their own preferred metrics or indicators for assessing the financial health of their organizations. Some of these exist on the current Standard Monitoring Form, while others are new.

**Indicators Used by Nonprofits to Assess their Financial Health**

- Current ratio (e.g., working capital) (referenced by 6 respondents)
- Quarterly financial statements (including comparison to prior year) (x5)
- Budget includes cash flow projection (x5)
- Cash on hand / positive cash flow (x4)
- Monthly reconciliation / budget to actual analysis (x4)
- Unrestricted net assets (x3)
- Level of surplus / financial reserve amount (x2)
- Timely documentation (x2)
- Strong internal controls (x2)
- Independent audit (x2)
- Board approves audit (x2)
- Impact Statement: how does agency perform in its service provision
- Days receivable
- Growth in funding over the years
- Cost allocation procedures being followed

The survey also asked respondents to share any governance indicators used internally to assess the strength of a nonprofit's board or leadership. The program included certain governance best practices in the Standard Monitoring Form two years ago, but there is room for improvement in how the City assesses this critical component of a nonprofit's financial health and sustainability.

**Indicators Used by Nonprofits to Assess Strength of Governance**

- Board participation in fundraising / annual giving (x9)
- Board meetings regularly achieve quorum / attendance (x8)
- Presence of committees / completion of work by committees (x4)
- Regular review of finances (x4)
- Board members understand program / review program / track program outcomes and metrics (x4)
- Independent CPA consultation / annual audit (x3)
- Responsiveness to agency request for guidance / oversight of Director (x3)
- Range of skills and contributions, e.g., legal or financial (x2)
- Mentoring or training of new Board members (x2)
- Board internal governance: bylaws, accountability, term limits (x2)
- Board satisfaction survey
- Quality of debate and decisions of the Board
- Board discusses new member recruitment regularly
- Regularity of Board meetings
- Internal control procedures