Citywide Nonprofit Monitoring and Capacity Building Program

NONPROFIT CONTRACTOR FISCAL & COMPLIANCE REVIEW
STANDARD MONITORING FORM

Contractor Name:

City Contracts Reviewed:

Department / Program	Contract Name and Description

For City Staff Use Only – Please indicate how this form is being used:

☐ **Self-Assessment Submitted by Contractor:** *Send form to Contractor to complete and submit for review; maintain file copy with lead department.*

   Submit by: _____   *Submit to:* _____

            (Due Date)   (Name, Title, Department)

☐ **Site Visit Conducted by City Staff:** *Complete this form for use in writing up Monitoring Report Letter; maintain file copy with lead department.*

   Date of Visit: _____   *Time Started:* _____   *Time Ended:* _____

	Name	Department/Division
Assigned lead for this monitoring		
Additional staff (if applicable)		

SIGNATURES	
Lead Department Monitor Signature & Title	**Date**

SELF ASSESSMENTS ONLY: *I, the authorized representative for the contractor mentioned above, state that the information provided on this form is true and correct to the best of my knowledge.*

Contractor Representative Signature & Title	**Date**

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
1. Agency-wide Budget ☐ **a.** Current (fiscal or calendar year) ☐ **b.** Shows income and expense by program ☐ **c.** Shows allocation of shared and indirect costs by program ☐ **d.** Shows fundraising separate from program expense ☐ **e.** Clearly identifies all revenue sources (City, state, federal) ☐ **f.** 15% of funding from non-City sources or contractor can demonstrate non-City fundraising efforts ☐ **g.** Includes annual cash flow projections [FY16 pilot standard]	FREQUENCY: ANNUALLY Request and review cash flow projections and the detailed agency-wide budget (not a roll-up budget) in initial letter. Ask Contractor if there is any missing information. Budgets do not need to be by funding source, but income sections should show all revenue sources. Item f. might be verified through letters of intent, board fundraising committee notes, or other descriptions of solicitation efforts. The list of funders may include private foundations, individual donors, state or federal revenue sources, documented in-kind services, or documented volunteer hours. Item g. is a pilot for FY15 and will be tracked but is not considered a finding. Basic cash flow statement should include opening cash balance, monthly revenue/expense, resulting monthly cash balance, with tracking throughout the fiscal year. Straight-line projections of cash flow are not generally considered reasonable or sufficient.	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
2. Cost Allocation Procedures ☐ **a.** Cost allocation procedures and plan for <u>shared </u>costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget ☐ **b.** Process for allocating <u>shared</u> program costs is consistent and reasonable ☐ **c.** Cost allocation procedures and plan for <u>indirect </u>costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget ☐ **d.** Process for allocating <u>indirect</u> costs is consistent and reasonable ☐ **e.** Procedures for cost allocation match actual cost allocation found in agency-wide budget and financial documents	FREQUENCY: ANNUALLY The agency should develop an overall budget and reasonable cost allocation plan based on how shared or common costs are distributed across programs. The agency's approach to allocating shared costs by funding source might vary according to organizational size, complexity, and other public compliance standards. If needed, ask the Contractor to clarify process (e.g., spreadsheets or additional narrative). <u>Intent of cost allocation standards:</u> 1) Ensure that agencies understand the full program costs for making management decisions. 2) Ensure that City contracts are not covering more than the cost of the program that they are supporting. <u>Reasonable</u> = makes sense and is appropriate to the type of programs, e.g., square footage, FTE's, etc. <u>Consistent</u> = same methodology for the same types of costs across programs. <u>Inconsistent</u> = using highly variable basis, e.g., number of participants in a program, salaries without monthly reconciliation. To test that cost allocation is occurring according to documented procedures, examine salaries and rent first, as these line items are most commonly applicable to many funding sources and programs. If there are issues with these items, monitors may decide to test others. The time period to test can vary, but monitors may want to start by testing the months for which invoices are already being requested. E.g., if the monitor has indicated that October and November invoices will be tested, then they may also examine cost allocation for that same time period. If issues are uncovered, the monitor may choose to expand the examination.	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
3. Audited Financial Statements **As Applicable (Per Departmental Requirements):** ☐ **a.** Complete: all sections and statements included; opinion and other audit letters are signed ☐ **b.** Unmodified opinion ☐ **c.** No material weaknesses mentioned or going concern stated in the notes to the financial statements ☐ **d.** No current audit findings and/or questioned costs ☐ **e.** Audit completed within six months of the close of the contractor's fiscal year **For contractors that received a Management Letter:** ☐ **f.** Management letter has been signed by the audit firm ☐ **g.** For any prior year findings, the Contractor has provided a reasonable explanation of how the Contractor has corrected all the findings **For Organizations with an A-133 Audit:** ☐ **h.** No material weaknesses mentioned or going concern stated in the notes to the financial statements ☐ **i.** No current audit findings and/or questioned costs ☐ **j.** For any prior year findings, the Contractor has provided a reasonable explanation of how the Contractor has corrected all the findings **Cash Flow Assessment:** ☐ **k.** Total change in cash is positive over 3 consecutive years or agency has a reasonable explanation and/or plan to reverse cash outflow [FY16 pilot standard] ☐ **l.** In current audit, cash flow from operations is positive [best practice only] ☐ **m.** In current audit, agency has at least 60 days of operating cash [best practice only]	FREQUENCY: ANNUALLY Check requirements of funding departments to determine applicability for basic audits. An A-133 Audit is required if the contractor was awarded over $500,000 in federal funds. If the audit is conducted after January 1, 2015, the threshold for A-133 audits is $750,000. If the written opinion references a management letter, then request it and assess items d. and e. If no management letter exists, these items are not applicable. Item e.: If monitoring occurs prior to the 6-month deadline (e.g., in November, when audit is due January), review the prior fiscal year's audit, and determine if the date it was completed was within 6 months of the prior fiscal year's close. This standard is interested in timeliness of audit completion. Item k.: Request both the current and prior year audit. Using the Statement of Cash Flows, add amounts in the line item "Increase (decrease) in Cash and Cash Equivalents" for current year and two prior years. The number should be positive, or agency should have a reasonable explanation. Item k. is a pilot and items l. and m. are best practices (financial indicators). If the pilot or best practice is not met, this should be noted on the form and letter, but it is not a finding. These standards may indicate problems in the agency's financial health. If the financials are too complex or if the monitor has limited experience, these indicators may trigger a monitor to request support from a financial expert (e.g., lead monitor or Controller's Office). l. Using the Statement of Cash Flows, net cash provided by operating activities (top section of statement) should be positive. If the number is negative, it could mean that the organization is relying on debt or investments to fund its day-to-day operations. m. Operating Cash = $\dfrac{(\text{Cash} + \text{Investments})}{[\,(\text{Operating Expenses} - \text{Bad Debt} - \text{Depreciation})\,/\,365\,]}$ If the number is less than 60, the best practice is not met. The numerator (cash and investments) are found on the Balance Sheet. If an agency has investments, they are generally documented as such. An audit may list them separately or it may incorporate it into "cash" section. The denominator (operating expenses, bad debt and depreciation) are found on the Statement of Functional Expenses, and are labeled in those terms. Document results in the Monitoring Report Letter for trend analysis. *Add comments for this section on the following page.*	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
Comments for Category 3 – Audited Financial Statements:		
4. Tax Form ☐ **a.** Federal 990 return filed for most recent tax year or request for extension submitted on time	FREQUENCY: ANNUALLY Date of submission is on page 9. A letter requesting an extension is sufficient. To be "on time," letter must be sent 4.5 months after the close of the fiscal period: Calendar year = May 15 Fiscal year = November 15 If the contractor received an extension, item a. is not a finding, but they must send in tax form when filed.	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**

5. Fiscal Policies & Procedures
☐ **a.** Upon turnover of executive director and/or fiscal manager, policies and procedures are reviewed within one year of the change, and updated if necessary [if applicable]
☐ **b.** Current (updated within the past two calendar years or to reflect monitoring/audit recommendations) [best practice only]
☐ **c.** Complete (contains policies and procedures related to:
  - Internal controls (including safeguarding of assets, authorization of transactions, reconciliation of accounting records) [per Standard 6c.]
  - Financial reporting [per Standards 6a., 6d., 9a-c.]
  - Accounts payable [per Standards 7a-c.]
  - Accounts receivable [per Standards 5d.]
  - Payroll (including accounting for leave, signature requirements, documentation of salary levels) [per Standards 8e-f., 15c.]
  - Procurement of goods and services [per 7e-g., 13a-c.]
☐ **d.** Implementation of policies and procedures demonstrates appropriate internal controls, including segregation of duties
	FREQUENCY: SITE VISITS ONLY
	
	Items a-b.: Policies must be reviewed when leadership changes (standard), and should be assessed every two years (best practice), even if no changes are necessary. Agencies can meet the standard by creating a version history to show reviews occurred.
	
	Item c.: The document should address ALL items in list with sufficient detail to be actionable, and should be specific to the agency, not generic. The monitor reviewing sections of the form referenced within the standard to left should cross-reference the manual to ensure actions match written procedures.
	
	Item d.: Actual implementation may vary based on internal operations. The following are examples of reasonable practices, and monitors should test whether each agency's policies are reasonable and implemented consistently.
	  - Disbursements are made by pre-numbered checks or through a secure electronic system [test: check register or e-check register]
	  - Expenses are pre-approved [test: signed approval forms]
	  - Someone prepares a daily list of all cash and checks immediately upon receipt [test: ledger/list]
	  - Someone performs spot-checks of fiscal practices to test policies are being followed
	  - Bank statements are opened/reviewed by staff or board member who does not have accounting responsibilities [test: bank statement showing address]
	  - Two people count all cash, and/or unannounced counts of petty cash are made by someone other than the fund custodian [test: signed cash counting forms]
	  - Checks over threshold amount (e.g., $500) are signed by two staff members [test: canceled checks]
	  - Agency follows its own (and funders') policies for timely invoicing
	  - Agency conducts a biannual equipment inventory [per federal funding requirements, if applicable]	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
6. Financial Reports **Balance Sheet (aka Statement of Financial Position):** ☐ **a.** Current (as of the last four months, at least) ☐ **b.** Working capital ratio is greater than 1 ☐ **c.** Current bank reconciliation (as of the last four months, at least) **Profit and Loss Statement (aka Statement of Activity):** ☐ **d.** Current (as of the last four months, at least) ☐ **e.** Shows year-to-date (YTD) income and expense by program, contract or funding source, including indirect costs ☐ **f.** 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	FREQUENCY: ANNUALLY Item b. Working Capital = $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$ Divide Current Assets (all assets that could be converted to cash in less than 1 year) by Current Liabilities (all money owed by the agency and due within 1 year). A ratio greater than 1 signals the short-term capacity to pay all current liabilities from current asset sources. This measure shows the capital needed to carry out the day-to-day work and should always be positive. Current Assets = Cash + Cash Equivalents + Accounts Receivable + Inventory + Marketable Securities Current Liabilities = Accounts Payable + Grants Payable + Accrued Salaries + current portion of long-term debt Item e.: Monitors should request the chart of accounts from the agency to better understand the agency's structure and confirm no comingling of funds has occurred when reviewing the income and expenses by program or funding source.	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
7. Invoices **Expenses:** ☐ **a.** Expenses tested on invoices have supporting documentation: credit card charges and/or petty cash expenditures are all documented with an original receipt and reasonably tie to the cost allocation plan. ☐ **b.** Contractor follows its policies for writing checks, credit card use, petty cash use, and/or reimbursement for expenses tested on invoices ☐ **c.** Tested expenses on invoices appear to be reasonably associated with the program budget **If Contract uses units of service (usually DPH only):** ☐ **d**. Units of service provided are documented and agree with invoices **If invoices include payments to subcontractors:** ☐ **e.** Subcontractor authorized by contract ☐ **f.** Contractor paid its subcontractors' invoices per the schedule established in the subcontracting agreement and/or prior to receiving City reimbursement for the services delivered ☐ **g.** Subcontractor invoices show basis for work billed as performed (units of service, hours, reimbursable costs)	FREQUENCY: SITE VISITS ONLY For items a. through d., test selected expenses on selected invoices, requesting documentation and explanation from Contractor as needed. For items e. through g., request and review subcontracting agreement and invoices as needed for select months. Check whether invoices follow the cost allocation procedures. This is not a finding, as there may be reasons why they don't match exactly, but it could point to a pattern of inconsistent allocation to be explored in category 2.	

FISCAL REVIEW		
Standards	**Guidance**	**Comment**
8. Payroll ☐ **a.** State (DE 9 and DE 9C) and federal (941) payroll tax returns were filed by the end of the month following the end of the quarter for monitoring months under review ☐ **b.** Employees paid with City funds listed on invoices checked in Section 7 above are listed on the DE 9 and DE 9C for the quarter(s) that includes the monitoring months under review ☐ **c.** Documentation that payroll taxes due were actually paid **Timesheets:** ☐ **d.** If employee time is paid by more than one source, it is recorded by funding source or program on timesheets ☐ **e.** Employee & 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) ☐ **f.** 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) ☐ **g.** Timesheets of employees paid with City funds listed on invoices checked in Section 7 above list hours worked that are consistent with invoices	FREQUENCY: • Items a & c: ANNUALLY • Items b, d-g: SITE VISITS ONLY Unless there were prior year findings in these areas, contractors do not need to submit timesheets, and standards b., d., e., f., and g. do not apply in Self-Assessments. Items a. and c. still apply for all monitoring. Departments with federal funding in their contracts may choose to request timesheets at any point to validate payroll expenses on invoices. For Site Visits, request and review the Contractor's DE 9, DE 9C, and 941 returns, payroll tax verification, bank statements, select employee timesheets, and payroll register/ journal for the months under review. For item c., the contractor should provide either a canceled check or the invoice/statement from a payroll preparation company that indicates they paid the payroll tax for the quarter.	

COMPLIANCE REVIEW		
Standards	**Guidance**	**Comments**
9. Board Oversight **Fiscal Standards:** ☐ **a.** Minutes show that the Board approved the current agency-wide budget ☐ **b.** Minutes show that financial reports are shared with the Board (or finance committee) at least quarterly, or more regularly when financial concerns warrant it ☐ **c.** Minutes show that the Board reviewed the most recent audit within the fiscal year **Compliance Standards:** ☐ **d.** Minutes show that if a paid City employee or City commission member is on the Board, he or she did not vote on items related to City contracts with their affiliated City department (excluding vote on Agency-Wide Budget) ☐ **e.** Minutes show that if the Executive Director is a member of the Board, s/he does not vote on his or her compensation ☐ **f.** Board conducts a performance review of the Executive Director annually	FREQUENCY: ANNUALLY Board minutes will be reviewed to assess both Fiscal and Compliance standards. Items a-d. are fiscal, and e-f. are compliance-related. The site visit letter should indicate that board meeting minutes will be used to assess these standards so that the contractor can pull the appropriate meeting minutes ahead of time. Boards do not need to "approve" the financial reports or audit, but do need to show that they conducted a review. Review by a finance subcommittee is acceptable. If the minutes are not detailed, request additional supporting documentation that could indicate such a review. Items d-e.: Request copy of Board Roster to verify membership of City staff members or commissioners. Board minutes may also be used in Category 10. Public Access (below), as needed.	

COMPLIANCE REVIEW		
Standards	**Guidance**	**Comments**
10. Public Access (Administrative Code Section 12L) ☐ **a.** Contractor has a written policy that it must maintain and make available for public inspection within 10 days of the request (1) most recent budget, (2) most recently filed State and federal tax returns, and (3) any financial audits and performance evaluations performed by or for the City pursuant to a City contract ☐ **b.** At least two meetings with quorum status are open to the public each year ☐ **c.** These two meetings are announced to the general public at least 30 days in advance through the SF Public Library and the Clerk of the Board of Supervisors ☐ **d.** By-laws include requirements for client representation on Board, or Contractor makes other good–faith efforts to ensure client representation	****ONLY APPLICABLE FOR CONTRACTORS RECEIVING AT LEAST $250,000 IN CITY FUNDING. All others n/a.**** FREQUENCY: • Item a.: AT FIRST MONITORING (and as needed) • Items b-d.: SITE VISITS ONLY Item a. A sample Public Access Policy can be found online at: http://sfcontroller.org/modules/showdocument.aspx?documentid=6639. Monitors should refer any contractors lacking a written policy to the website for corrective action. Item b-c. Request the email or fax sent to Board of Supervisors and Library to verify the date both meeting notices were posted. If contractor cannot produce documentation for both, this is a finding. Item d. Per Administrative Code Sec. 12L, if bylaws do not include seats set aside for client or community representation, good faith efforts at recruitment must include distributing notice of Board vacancies by means reasonably calculated to come to the attention of the recipients; providing an opportunity for members of the public to propose him/herself or another for nomination at one public board meeting per year; and providing an opportunity for members of the public to comment on board membership at one public board meeting per year. Test this item by reviewing meeting agendas for public meetings for items regarding board membership, or requesting materials used by the agency to outreach about board vacancies among client populations.	

COMPLIANCE REVIEW		
Standards	**Guidance**	**Comments**
11. Subcontracts (including fiscal sponsors & fiscal intermediaries) ☐ **a.** Documentation that procurement procedures (and/or the process for entering into legal agreements) in the Contractor's fiscal policies and procedures were followed by Contractor to select subcontractors (if applicable) ☐ **b.** Legally binding agreements between Contractor and subcontractors are valid and current, and include scope of work/deliverables ☐ **c.** Documentation that contractor regularly monitors fiscal and programmatic performance of subcontractors providing direct services to clients, including monitoring of invoices (e.g., validating receipts)	FREQUENCY: SITE VISITS ONLY Standards apply to subcontracts where the recipient provides direct services to clients. Vendor or consultant subcontracts (e.g., evaluation services) do not need to be monitored in these ways. Unless there is a prior year finding in this category, it will not be monitored during a Self-Assessment, and no related documents need to be submitted.	
12. Licenses ☐ **a.** Site licenses required by City contracts are available, verified and current ☐ **b.** Staff licenses required by City contracts are available, verified and current	FREQUENCY: SITE VISITS ONLY Unless there is a prior year finding in this category, it will not be monitored during a Self-Assessment, and no related documents need to be submitted.	
13. Personnel Policies ☐ **a.** Written and current personnel/ employee manual, including: - Equal Employment Opportunity - Harassment and Discrimination - Reasonable Accommodation - ADA - Grievance Procedures ☐ **b.** Evidence that staff were trained regarding personnel policies ☐ **c.** Documentation of the following is maintained on file: - Job description - Employment application or résumé - Employment confirmation or letter of hire - Salary information including adjustments - Verification of employee orientation - Annual TB clearance (as applicable) - Fingerprinting (required for children's services)	FREQUENCY: • Item a.: AT FIRST MONITORING (and as needed) • Items b. & c.: SITE VISITS ONLY Unless there is a prior year finding in this category, it will not be monitored during a Self-Assessment, and no related documents need to be submitted. Proof of training may include a training sign-in sheet or individual notations of training dates in the personnel file, as well as a signed acknowledgement that the employee has received a copy of the personnel policies.	

COMPLIANCE REVIEW		
Standards	**Guidance**	**Comments**
14. Emergency Operations Plan ☐ **a.** Written emergency operations plan ☐ **b.** Plan contains contingency planning, including an alternate site, if needed ☐ **c.** Staff and volunteers were trained within the last year on the emergency plan ☐ **d.** At least one fire drill and one earthquake drill have been conducted in last year	FREQUENCY: • Items a. & b.: AT FIRST MONITORING (and as needed) • Items c. & d.: SITE VISITS ONLY Unless there is a prior year finding in this category, it will not be monitored during a Self-Assessment, and no related documents need to be submitted. Proof of training and drills may include a sign-in sheet, documentation in the personnel file, or an agency-wide email or posted announcement of the training or drill (items c. and d.).	
15. 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 ☐ **b.** Staff is trained regarding Contractor's ADA policies and procedures	FREQUENCY: • Item a.: AT FIRST MONITORING (and as needed) • Item b.: SITE VISITS ONLY Unless there is a prior year finding in this category, it will not be monitored during a Self-Assessment, and no related documents need to be submitted. Proof of training may include a sign-in sheet, documentation in the personnel file, or an agency-wide email or posted announcement of the training (item b.).	
16. Data Universal Numbering System (DUNS) ☐ **a.** Demonstration of registered DUNS number if contractor receives federal or state funds.	FREQUENCY: AT FIRST MONITORING (and as needed) Unless there is a prior year finding in this category, it will not be monitored during a Self-Assessment, and no related documents need to be submitted.	

GOVERNANCE REVIEW		
Standards	**Guidance**	**Comments**
17. Board of Directors Best Practices ☐ **a**. Assist with the raising of funds ☐ **b**. Participate in annual giving to agency ☐ **c**. Achieve quorum at every meeting ☐ **d**. Board reviews IRS Form 990 (or is distributed to members) ☐ **e**. Bylaws define term limits, quorum, committee structures, and voting/decision-making process ☐ **f**. Board leadership positions filled ☐ **g**. Board is conducting active recruitment to fill vacancies ☐ **h**. Conflict of Interest policy exists ☐ **i**. Agency has a Board Manual documenting the best practices described here	FREQUENCY: ANNUALLY Provide the contractor with the Governance Review Checklist with the Site Visit Letter or Self-Assessment Letter. The Contractor should fill it out and submit it at the time of the monitoring. Monitoring staff should review governance best practices with contracted agencies, identifying areas of strength and areas for improvement. Deviation from these best practices will not be considered monitoring findings in the Monitoring Report Letter; however as important indicators of healthy nonprofits, they will be tracked in a separate section of the report. Upload the checklist to the contractor's SharePoint library, and only document the areas of weakness in the Monitoring Report Letter through the standard process of indicating findings.	

Note about Frequencies:
City departments may elect to monitor any element of this form annually, regardless of the frequency stated in the guidance. In particular, if a contractor receiving a self-assessment has an unresolved finding in the prior year, monitors must re-assess whether the contractor has come into conformance, even if the frequency guideline indicates that the standard is only monitored during site visits.