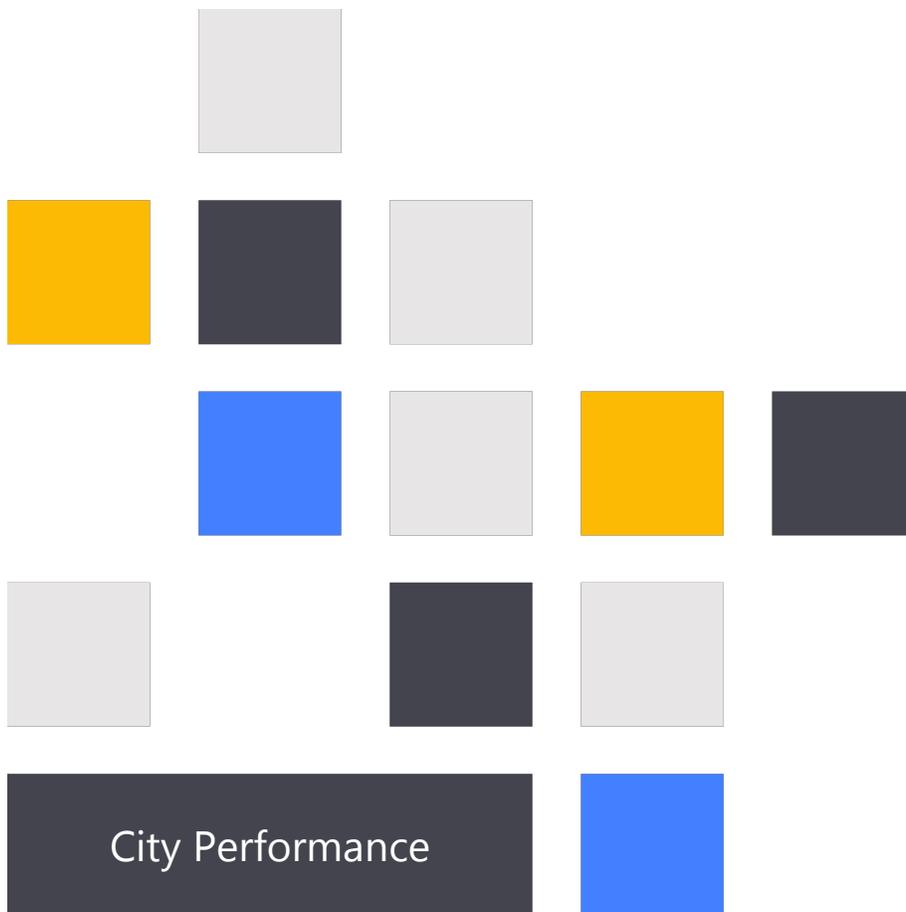# Citywide Nonprofit Monitoring and Capacity Building Program

Fiscal Year 2017-2018 Annual Report

In Fiscal Year 2017-2018, 80% of monitored contractors ended the cycle in full conformance with all fiscal and compliance standards.

City Performance

November 2018

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

About City Performance

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

City Performance Goals:

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

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City and County of San Francisco

Visit:

www.sfcontroller.org/nonprofits

www.sfcontroller.org

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Executive Summary

In Fiscal Year 2017-2018 (FY18), the City and County of San Francisco (City) contracted with nearly 700 nonprofit organizations to support residents in the areas of health, housing, workforce, and other social services. All together the City provided over $730 million in funding to these agencies. The Citywide Nonprofit Monitoring and Capacity Building Program (Monitoring Program or Program) consolidates contract monitoring requirements related to fiscal and organizational health for nonprofit contractors that receive funding from multiple City departments. Using streamlining monitoring activities, the Monitoring Program supports two intended outcomes:

- Public funds are spent in alignment with the City's financial and administrative standards.
- Nonprofit contractors have strong, sustainable fiscal operations.

Specifically, the Monitoring Program assesses three areas of organizational health: fiscal, compliance, and governance practices. The Program also provides capacity building services to nonprofit contractors and City monitors to support nonprofit fiscal health and compliance and ensure efficient monitoring practices.

This Annual Report documents the FY18 monitoring results and provides an overview of major program activities, including coaching services provided, and the application of the Corrective Action Policy.

MONITORING RESULTS

- In FY18, the Monitoring Program included 153 nonprofit providers with funding from 11 departments. This analysis includes monitoring results for 138 contractors, with 15 excluded from monitoring through good performance waivers.
- By the close of the monitoring cycle, 110 contractors (80%) were in full conformance with monitoring standards, leaving 28 contractors (20%) with one or more findings.
- FY18 and FY17 saw similar monitoring outcomes, which represents an increase in the percentage of contractors to end the monitoring cycle with no findings compared to the last 5 years. Prior to FY17, the percentage of contractors in full conformance stayed consistent at about 70%.
- Between FY17 and FY18, there was a slight (13%) overall decrease in findings and a 22% decrease in fiscal findings, continuing the downward trend of previous years.
- The fiscal categories of standards with the most contractors not in conformance in FY18 were *Audited Financial Statements* (14 contractors with findings), *Financial Reports* (7 contractors), *Board Oversight* (6 contractors), and *Fiscal Policies and Procedures* (6 contractors).
- The Adult Probation Department (APD) joined the Monitoring Program in FY18. APD manages over $6 million in grants to 19 nonprofits.
- Eight contractors received or were referred to technical assistance consulting services during FY18. The City provided 210 hours of individualized coaching services to nonprofits during FY18.
- Overall, the City has successfully intervened with coaching support for nonprofits needing assistance and has steadily raised the rates of conformance with City standards among monitored nonprofits.

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Program Overview

The Citywide Nonprofit Monitoring and Capacity Building Program (Monitoring Program or Program) consolidates contract monitoring requirements related to fiscal and organizational health for nonprofit contractors that receive funding from multiple City departments. The Controller's Office coordinates the Monitoring Program to streamline and standardize fiscal and compliance monitoring of nonprofit organizations. The City departments participating in the Monitoring Program jointly conduct annual monitoring so that it is done efficiently and uses consistent standards and methods.

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

In FY18, the Program included 153 nonprofit providers with an aggregate of over $500 million in City funding from eleven participating departments. The Adult Probation Department (APD) joined the Program in FY18. APD grants over $6 million per year to 19 nonprofit organizations. Several APD grantees had already been jointly funded by other departments in the Program, though APD's participation added one nonprofit to the pool who had not previously been monitored using the Program's standards and processes.

ANNUAL ASSESSMENT

Core to the Monitoring Program is an annual assessment of contractors' ability to meet specific fiscal and compliance standards that act as indicators of organizational health. The Controller's Office provides support to nonprofits and City monitors to facilitate the annual assessment and help nonprofits comply with City standards. This support aims to improve nonprofit financial and administrative management.

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

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

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

Standard Monitoring Form

The Controller's Office's website (www.sfcontroller.org/nonprofits) contains information about the standards that must be met by nonprofits contracting with the City and the steps the City uses to test compliance with these standards. The Standard Monitoring Form can be found on the website [here](#).

City departments conduct an annual process to review and improve upon the Standard Monitoring Form. The website also contains information about how departments updated the form in FY18 ([here](#)). Changes included:

- Two standards related to *Agency-wide Budgets* and *Audited Financial Statements* that had been piloted the prior two years were changed to "best practices" (meaning the standard will be monitored, but will not count as a formal finding if the nonprofit is not in conformance).
- The Program added a new pilot standard that assesses financial trends using the audited financial statement.
- The form now consolidates standards related to board oversight within one category, including best practices associated with board governance.
- Some compliance standards were deemed duplicative or unnecessary and were either consolidated, edited or removed, including standards related to emergency operations plans, licenses, ADA policies and procedures, and the Data Universal Numbering System (DUNS).
- Additions were also made to the guidance on how to evaluate standards.

CAPACITY BUILDING

The Monitoring Program provides resources and coordinates individual coaching and training activities to build the capacity of nonprofits to meet City standards and maintain fiscal and operational health. Trainings also aim to enhance City monitors' capacity to evaluate nonprofit fiscal health and conformance with the standards. The Monitoring Program identifies nonprofits in need of coaching and provides consulting services at the City's expense. In addition, the Controller's Office coordinates a "Spring Nonprofit Training Series" and a "Fall Monitor Training Series" annually, focusing on issues related to nonprofit financial management and governance.

PROGRAM GOALS AND IMPACT

The Controller's Office centrally coordinates monitoring activities to ensure the monitoring of nonprofit contractors is consistent, efficient, reduces duplication across City departments, and poses the least possible burden on nonprofit contractors.

Program Goals

The Program aims for fiscal and compliance monitoring of nonprofit contractors that is:	The Program strives to deliver capacity building services that are:
▪ Consistent across City departments ▪ Efficient and reduces duplication for City departments and nonprofit contractors ▪ High quality ▪ Aligned with best practices in financial management	▪ High quality ▪ Responsive to City and nonprofit contractor needs ▪ Coordinated among City departments

Program Impact	Program goals aim to ensure:
▪ Public funds are spent in alignment with the City's financial and administrative standards. ▪ Nonprofit contractors have strong sustainable fiscal operations.	

The following Controller's Office activities accomplish the above goals:

- Coordinating joint fiscal and compliance monitoring activities of the City departments that are the primary funders of health and social services.
- Providing standard forms, templates, and an automated system for collaboration.
- Managing a Citywide Corrective Action Policy and process for designation of Elevated Concern and Red Flag status when necessary.
- Providing individualized coaching services for the City's nonprofit contractors.
- Providing workshops on nonprofit financial management for nonprofits and City staff.
- Providing workshops and peer learning events related to monitoring activities for City staff.
- Providing resources to support nonprofit contractors to conform with City standards.
- Coordinating the development of Citywide policy on key issues of nonprofit contracting.
- Tracking and analyzing data, publishing reports on monitoring activities and outcomes, and leveraging results to improve program performance.

Performance Measures

Where applicable, the following analysis includes measures of Program performance. These measures capture aspects of Program elements in terms of *how much* of a service or support was provided, *how well* it was delivered, and whether Program stakeholders (monitors or nonprofits) are *better off* because of an aspect of the Program. This framework provides a more detailed view of the Program's impact. Performance measures include targets where applicable. See Appendix D for a full list of performance measures.

Performance Measure	▪ **62%** of nonprofits agree or strongly agree the Program ensures the monitoring is efficient and reduces duplication. *Target: 85%[1]* ▪ **74%** of nonprofits agree or strongly agree the Program helps ensure their nonprofit has strong, sustainable fiscal operations. *Target: 85%*

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[1] With the change in the performance measure framework, the program also changed some of the rating scales in surveys administered to contractors and City staff. In prior years, between 85% and 94% of respondents agreed or strongly agreed that the Program is efficient and reduces duplication based on a 4-point scale. The switch to a 5-point scale and the addition of a "neutral" option may account for the decrease to 62% agreeing or strongly agreeing in FY18.

FY18 Monitoring Results

FY18 MONITORING POOL

A total of 153 contractors were in the joint monitoring pool in FY18 (see Figure 1). This is an increase of seven contractors over last year, and an increase of nearly 20% over the last five years. Changes in the size of the pool may be attributed to new departments joining the Program, such as APD in FY18, or the transfer of contracts between departments, such as with the creation of the Department of Homelessness and Supportive Housing (HSH) in FY17. The addition of a new department to the Program can lead to new nonprofits being considered "jointly" funded by participating departments (they were jointly funded previously, but not by Program participants). The increase may also be a factor of normal shifts in funding patterns by departments (e.g., nonprofits seek funding from one department and then expand services to other departments over time).

Figure 1. FY18 Joint Monitoring Pool

Type of Monitoring	Number of Contractors
Site Visit	99
Self-Assessment	39
Total Monitored Contractors	**138**
Good Performance Waivers	15
Total Contractors in Pool	**153**

On average, each contractor in the pool is funded by three departments, with a maximum of seven departments funding one nonprofit. Sixteen nonprofits (10% of the pool) are funded by five or more City departments. Figure 2 shows the number of contractors funded by each department. Given the nature of the joint monitoring pool, contractors are represented in more than one department box below.

Figure 2. Funding Departments and Number of Contractors

In accordance with the Monitoring Program's waiver policy, departments granted 15 contractors a waiver from monitoring this year due to strong performance (see Appendix A for a list of these contractors). The analysis below includes monitoring outcomes for the remaining 138 monitored contractors. Figure 3 shows the number of contractors in the joint monitoring pool has gone up over the years. The number of contractors receiving waivers has also increased and the number of completed monitorings has increased, which explains the increase in the difference between the contractors in the pool and those that were monitored over the years.

Figure 3. Total Contractors in the Monitoring Pool and Monitored, FY14-FY18
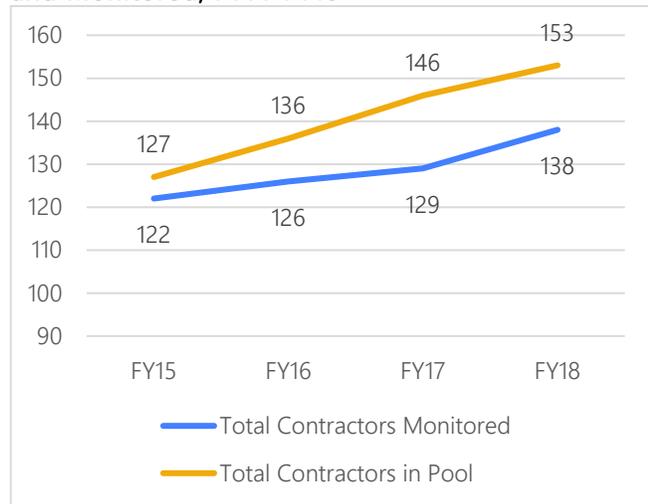
Monitored contractors may receive one of two types of monitoring: a site visit or self-assessment. Some contractors may receive a site visit annually due to funding source requirements. Contractors with a history of strong fiscal performance may be eligible to receive a "self-assessment" in which the contractor submits required documents to the monitoring departments electronically rather than on-site, and monitors use a limited version of the monitoring form to conduct a desk review. All contractors in the pool are required to receive a site visit at least every three years.

In FY18, 74% of monitoring events were scheduled by the deadline of January 15, 2018. This date allows adequate time for monitors to conduct site visits, nonprofits to complete self-assessments if applicable, and for monitors and nonprofits to issue and respond to monitoring letters. In FY18, all monitorings were completed by the close of the fiscal year, per Program guidelines.

The FY18 dataset (available online[2]) includes a list of the contractors in the FY18 monitoring pool and their monitoring results, including type of monitoring, any initial findings, and the final status of any findings for each contractor.
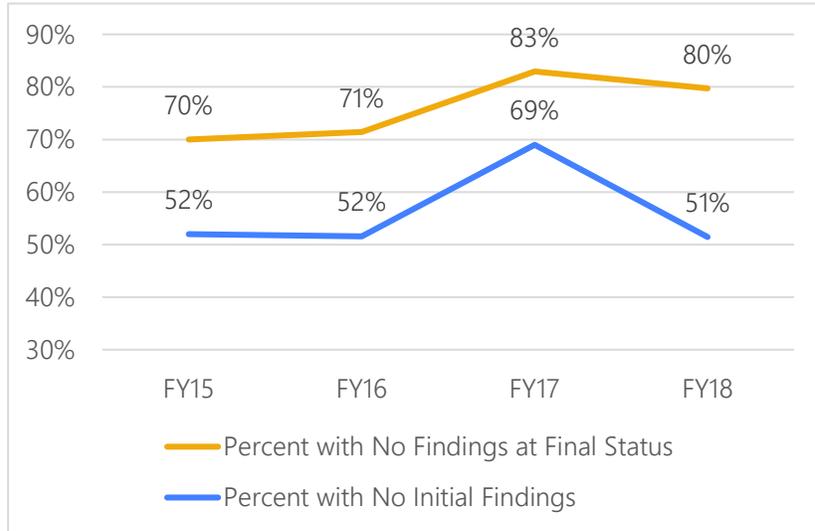
MONITORING FINDINGS

The FY18 initial monitoring (i.e., prior to the contractor's opportunity to respond) found 71 contractors (51%) to be in full conformance with the City's standards.[3] This represents a decrease over FY17, when 69% of contractors were in full conformance with standards after the initial monitoring. Figure 4 shows the year-over-year trend for this indicator, in which FY17 had the highest percentage of contractors with both no initial findings and no findings at final status over the 4-year period. However, the percentage

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[2] Available at http://openbook.sfgov.org/webreports/details3.aspx?id=2644.

[3] The 71 contractors in full conformance after initial monitoring included 16 contractors with one or more findings in best practice or pilot standards, which do not require resolution and do not count as formal "findings."

of contractors ending the monitoring cycle in full conformance is roughly the same this year as last year and both are improvements over FY16.

Figure 4. Percent of Contractors with No Initial Findings and No Findings at Final Status, FY15-FY18


Of the 71 contractors with initial findings, 39 (58%) corrected all findings to come into full conformance with the monitoring standards. At the close of the monitoring cycle, 110 contractors (80%) were in full conformance with all standards.

While fewer FY17 contractors needed to correct findings after initial monitoring, this was balanced by the greater number of contractors correcting findings in FY18, resulting in a similar final status picture with about 20% of contractors ending the cycle with findings – an improvement over FY16 (see Figure 5). The majority of the corrected findings in FY18 were fiscal, which has been the case across the years, though the proportion of corrected findings that were fiscal was the highest in FY18 compared to the prior two years.

See Appendix B for a list of contractors with no findings at the close of the monitoring cycle. Of the 110 contractors with no findings in FY18, 85 (77%) also had no findings in FY17. Further, 59 of the FY18 contractors with no findings (54%) maintained conformance with all standards over the last three years (FY16, FY17 and FY18).

Figure 5. Contractors' Status at Close of Monitoring, FY16-FY18
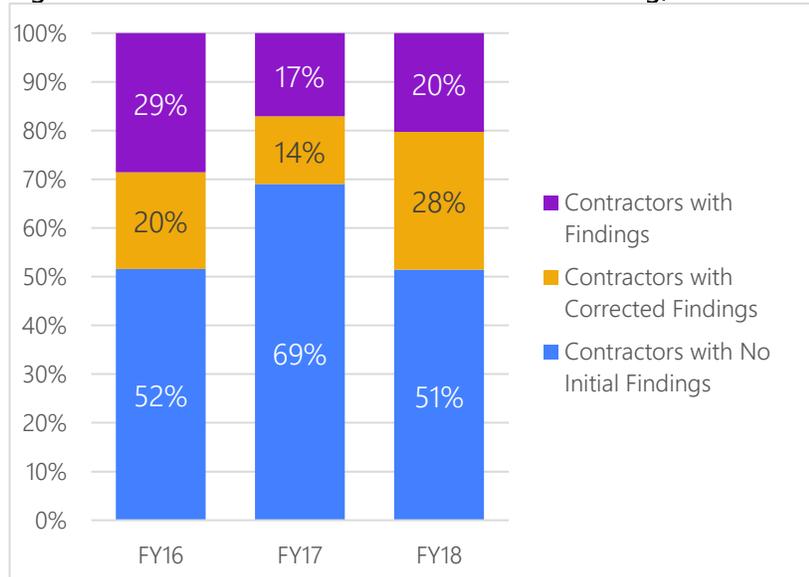
Performance Measures	▪ **86%** of nonprofits reported a clear understanding of the fiscal and compliance elements to be monitored in their contracts. *Target: 95%*
	▪ **94%** of monitors agreed or strongly agreed that their monitoring teams collaborated effectively the majority of the time. *Target: 95%*
	▪ **93%** of monitors reported they were always or most of the time confident about their findings. *Target: 95%*

Findings by Category

The Program evaluated nonprofits against 77 standards in FY18.[4] Fourteen of these standards represent best practices or are pilots, and thus do not count as formal findings. The remaining 63 standards fall into two categories: fiscal and compliance. Fiscal standards relate to aspects of nonprofit operations and management, such as the agency-wide budget, cost allocation procedures, audited financial statements, fiscal policies and procedures, invoices, etc. Compliance standards relate to board oversight practices, public access to records, personnel policies, etc. The majority, 48 of the 63 standards (76%) are fiscal, while 15 (24%) are compliance-related.

Across all contractors there were a total of 98 findings in FY18, as shown in Figures 6 and 7. Between FY17 and FY18, there was a 13% decrease in total findings and a 22% decrease in fiscal findings, continuing the downward trend of previous years.

From FY17 to FY18 the number of fiscal findings decreased, from 92 to 72 – a 22% reduction (see Figure 7). The number of compliance findings increased from 21 to 26 – a 24%

Figure 6. Total Final and Corrected Findings, FY16-FY18
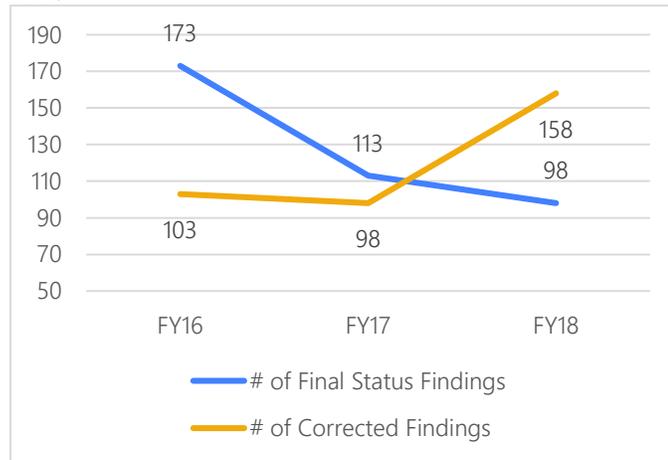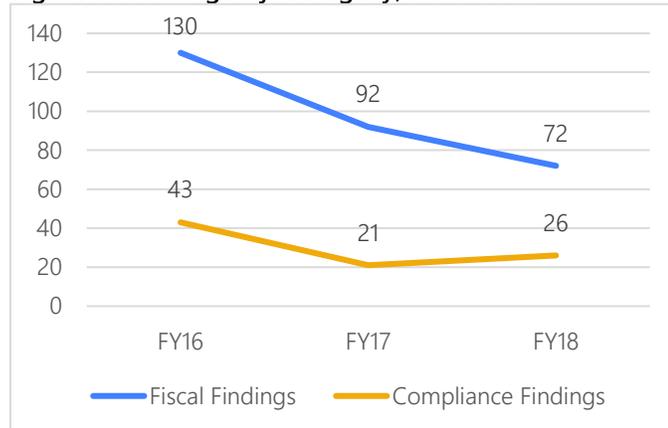

Figure 7. Findings by Category, FY16-FY18

[4] Changes to the standards in FY18 slightly reduced the total potential number of findings from prior years.

increase during the same time frame. The FY18 percent of findings in each category is proportional to the number of standards in each category.

Fiscal Standards

Audited Financial Statements was the category with the most contractors not in conformance in FY18. Fourteen contractors (50% of the contractors with findings) had one or more findings in this category (see Figure 8). *Financial Reports*, *Board Oversight*, and *Fiscal Policies and Procedures* were the next most common categories, with seven, six and six contractors with one or more findings in the category, respectively.

Figure 8 shows the most common fiscal findings in FY18. The number of contractors with findings in each standard category aligns with the top fiscal findings in Figure 9. The most common findings were related to Audited Financial Statements. Thirteen contractors were out of conformance with standard 3e., which assesses whether the nonprofit's audit was completed within six months of the close of the

Figure 8. Percent of Contractors with Findings by Standard Category, FY18

contractor's fiscal year. Standard 9c. assesses whether the nonprofit's Board reviewed the most recent audit; it had the next highest number of contractors not in conformance (six). One other common fiscal finding relates to Audited Financial Statements (standard 3a. assesses whether the agency's audit was complete). Contractors that did not complete a required audit were out of conformance with both standard 3a. and 3e. Five of the 13 nonprofits out of conformance with standard 3e. did not complete their required audit.

Figure 9. Top Fiscal Findings, FY18

Standard	Category	Num. of Contractors with Finding
3e. Audit completed within six months of the close of the contractor's fiscal year	Audited Financial Statements	13
9c. Minutes show that the Board reviewed the most recent audit within the fiscal year	Board Oversight	6
3a. Complete: all sections and statements included; opinion and other audit letters are signed	Audited Financial Statements	5
6b. Balance Sheet: Working capital ratio is greater than 1	Financial Reports	4
6f. Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year	Financial Reports	4
9a. Minutes show that the Board approved the current agency-wide budget	Board Oversight	3
2c. 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	Cost Allocation Procedures	3
2e. Procedures for cost allocation match actual cost allocation practices found in the agency-wide budget and financial documents	Cost Allocation Procedures	3
5a. Upon turnover of executive director and/or fiscal manager, policies and procedures are reviewed within one year of the change, and updated if necessary	Fiscal Policies and Procedures	3
7a. 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.	Invoices	3
8d. Timesheets: If employee time is paid by more than one source, it is recorded by funding source or program on timesheets	Payroll	3

Not all standards result in findings. No contractors had findings associated with two standards related to federal audits (known as A-133 audits), and similarly, no contractors had findings with two standards related to payment of subcontractor invoices.

Fiscal Pilot Standards and Best Practices

The Monitoring Program piloted one financial standard and measured four fiscal best practices during FY18. The Monitoring Program uses "pilot" standards to test a new standard before making it official, and to allow contractors time to learn about the standard and come into conformance. Based on the testing, the pilot standard may or may not become officially monitored. The Monitoring Program is unlikely to make fiscal best practices into formal standards, as they may not be feasible or relevant for all contractors. For example, a strong nonprofit may show a negative cash balance in their audit based on the timing of revenues or having made a large capital purchase recently. However, all pilot and best

practice standards are key indicators of financial health and support the City monitors efforts to assess the capacity and sustainability of funded programs.

While 23% of contractors (31 contractors) did not have at least 60 days of operating cash in their current audit, this represents a slight reduction in findings for this best practice, down from 34 in FY17 (see Figure 10). This year, there was a 76% reduction (from 41 in FY17 to 10 in FY18) in the number of contractors failing to show a positive change in cash over the sum of two consecutive years. Both are important sustainability metrics.

Figure 10. Fiscal Pilot and Best Practice Findings, FY16-FY18

Standard	Category	FY16	FY17	FY18
3m. In current audit, agency has at least 60 days of operating cash *(Best Practice)*	Audited Financial Statements	42	34	31
3k. In current audit, total unrestricted net income (change in net assets) is positive over the sum of 2 consecutive years *(Pilot)*	Audited Financial Statements	-	-	17
1g. Agency-wide budget includes annual cash flow projections *(Best Practice)*	Agency-wide Budget	22	14	13
3l. In current audit, total change in cash is positive over the sum of 2 consecutive years *(Best Practice)*	Audited Financial Statements	37	41	10
5b. Fiscal Policies & Procedures are current (updated in the past two calendar years or to reflect monitoring/ audit recommendations) *(Best Practice)*	Fiscal Policies & Procedures	7	4	10

Compliance Standards

Compliance standards relate to public access to records, emergency operations plans, board oversight practices, personnel policies, etc., and account for 15 (24%) of the monitored standards. The most common compliance finding in FY18 related to oversight by the Board of Directors (see Figure 11). In FY18, five contractors' boards (4%) did not conduct an annual performance review of the agency's Executive Director. This was also the most common finding in FY17 (at 5%).

Figure 11. Top Compliance Findings, FY18

Standard	Category	Num. of Contractors with Finding
9f. Board conducts an Executive Director performance review annually	Board Oversight	5
13b. Staff and volunteers trained on the emergency plan, or have had at least one fire drill within the last year	Emergency Operations Plan	4
10a. Contractor has and follows a written public access policy	Public Access	4

Governance Best Practices

In addition to the fiscal and compliance monitoring standards, the Monitoring Program assesses governance practices through a "Governance Review Checklist." Because these standards are best practices, they are not part of the findings analysis, and they do not require contractors to take

corrective action, though contractors are encouraged to adopt them over time as part of a strong organizational governance structure.

Figure 12. Governance Best Practice Findings, FY18
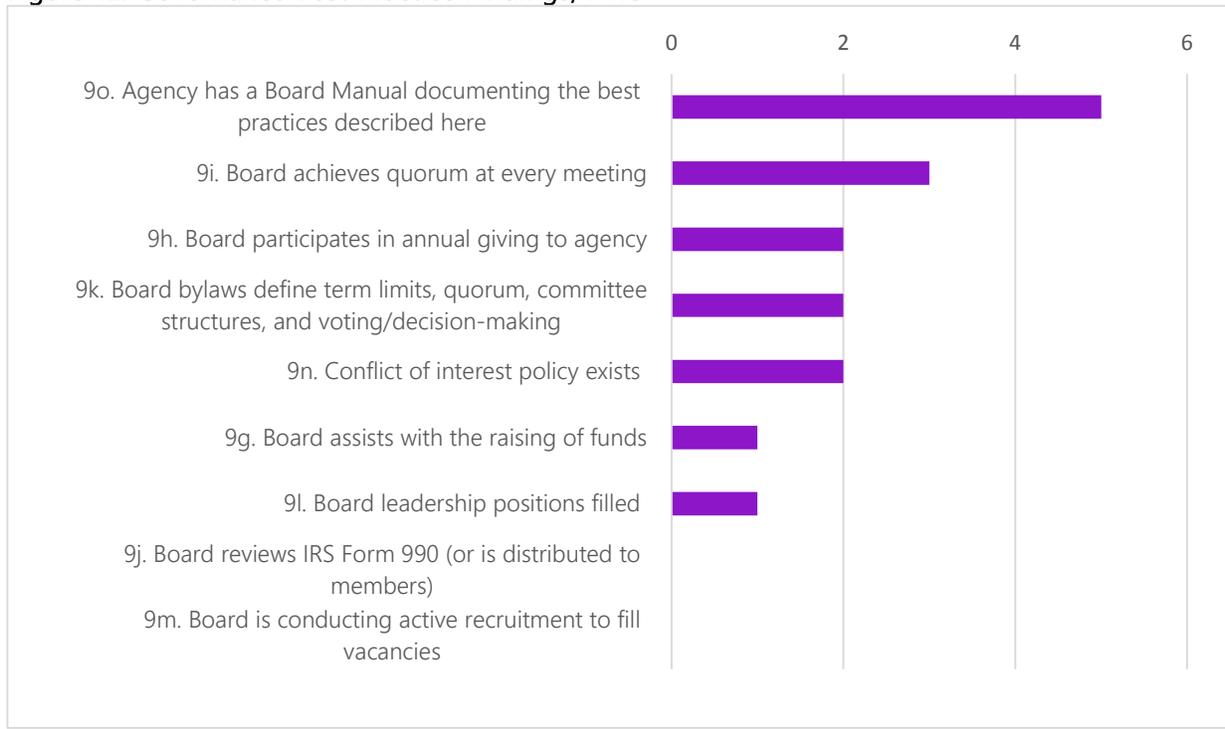
Eleven contractors did not follow one or more governance best practices this year. A total of 16 findings in FY18 spanned the various best practices outlined in Figure 12, which is a reduction from 32 findings in FY17 and 41 findings in FY16. The most common best practice was that an agency has a Board manual that documents its oversight policies and practices.

CONTRACTOR OUTCOMES

As noted above, 80% of monitored contractors ended the FY18 monitoring cycle in full conformance with City standards. The remaining 28 contractors ended FY18 with one or more finding.

A high number of findings or repeated findings can signal potential instability in the financial and organizational health of a nonprofit – and ultimately an organization's ability to provide effective and sustainable services to residents in need. Through the annual monitoring process, City monitors identify contractors struggling to meet the monitoring standards so they can receive support through one-on-one coaching and training to resolve findings.

Contractors with the Most Findings

There were seven contractors with five or more findings in FY18. This is one more contractor compared to last year, but the same percentage of contractors and still far fewer than FY16 when there were 16 contractors with five or more findings (see Figure 13).

Figure 14 shows the range in the number of findings among this group of contractors. Six of the seven FY18 contractors had fewer than ten findings total, while the top contractor had 20 findings at final status. One of the seven contractors has begun receiving coaching services to improve their monitoring findings, and the top contractor is receiving assistance through one of its funding departments.

Figure 13. Number and Percent of Contractors with Five or More Findings, FY16-FY18

Year	Number of Contractors	Percent of Monitored Contractors
FY16	16	13%
FY17	6	5%
FY18	7	5%

Figure 14. Contractors with Five or More Findings and the Number of Findings, FY16-FY18
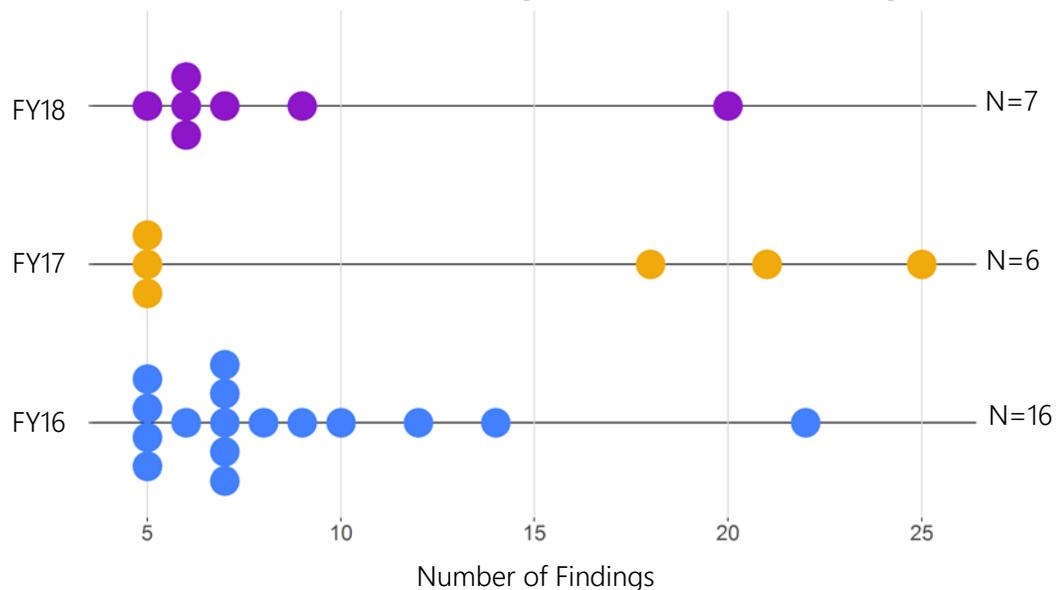
The array of findings for these contractors generally matches patterns found in the rest of the pool. The majority of findings were fiscal, with most in the *Audited Financial Statements* category. Four contractors in this group did not complete a required audit and three contractors on the list did not comply with the cost allocation standards. Effective cost allocation practices help ensure a nonprofit has sufficient funding to run each program and confirms for the City that costs are reasonably and consistently allocated across those programs. Findings related to cost allocation are potential indicators of structural weaknesses in a nonprofit's fiscal operations.

Contractors with Repeated Findings

There were six contractors with one or more repeated findings between FY17 and FY18 (up from four in the prior year). One of the six contractors is receiving coaching services through the Program, while two others are receiving assistance through one of their funding departments. Figure 15 shows the

standards that these six contractors repeated. Several of these findings relate to cash flow rather than simpler operational changes; these types of findings may take longer to address. See Appendix C for more about contractors with repeat findings.

Figure 15. Findings of Contractors with Repeated Findings, FY17–FY18

Standard	Category	Num. of Contractors with Repeated Finding
1f. 15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts	Agency-wide Budget	2
6f. Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year	Financial Reports	2
2e. Procedures for cost allocation match actual cost allocation practices found in the agency-wide budget and financial documents	Cost Allocation Procedures	1
3e. Audit completed within six months of the close of the contractor's fiscal year	Audited Financial Statements	1
4a. Federal 990 return filed for most recent tax year or request for extension submitted on time	Tax Form	1
6b. Balance Sheet: Working capital ratio is greater than 1	Financial Reports	1

Contractors New to the Joint Monitoring Pool

The practice of annual monitoring provides a regular feedback loop to the nonprofits, helping them understand where they can improve, usually in small ways over time. One distinction relates to contractors who are new to the monitoring process. Anecdotal evidence suggests that nonprofits that are growing in size and starting to enter into more contracts with the City that place them in the joint monitoring pool for the first time are less familiar with City requirements and thus are more likely to have findings during their first year of monitoring. In these cases, the Monitoring Program represents an important intervention to identify areas of weakness and provide technical support and coaching to the nonprofit.

Through this report, the Monitoring Program can examine the effectiveness of the intervention by tracking the improvement of these "new to pool" nonprofits over time (defined as not monitored through the Program for the prior two years).

There were 17 contractors in the FY18 joint monitoring pool that were not monitored via the pool in the prior two years. Three, or 18% of these "new" contractors, were not in conformance with one or more standards.[5] By contrast, 20% of all FY18 contractors had findings. In FY17 a greater percentage of "new" contractors had findings compared to the overall pool (22% of "new" contractors had findings compared to 17% overall). In FY16 fewer of the "new" contractors had findings compared to the pool overall (15% of new vs. 29% of contractors overall).

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[5] Two of the eight contractors with five or more findings (seen above in Figure 14) were new to the joint monitoring pool in FY18. These were not the same two contractors with the most findings.

While this analysis indicates "new to pool" contractors may not necessarily be more likely to have findings in their first year of monitoring, there are some caveats to consider. Some contractors come in and out of the pool based on grant cycles among the various departments. Also, as the Controller's Office recommends, several departments in the Program use the Standard Monitoring Form in assessing the fiscal health of all contractors in their portfolios. Though a particular contractor may be new to the joint monitoring pool, they may have been exposed to the City's standards through single-department monitoring in prior years. Current data structures do not allow the Controller's Office to easily identify truly "new" contractors and assess their experience in monitoring directly.

Monitoring Experience Feedback

At the close of each fiscal year, the Program administers two surveys[6] to gather feedback on the Program and the monitoring process. One survey is sent to City monitoring staff and the other survey is sent to nonprofit contractors who have been monitored by the Program. The survey results inform Program performance measures and are presented throughout this report where they are relevant to the content.

The nonprofit and City staff survey requested feedback about the monitoring process. Over half of the nonprofit respondents (52) had a site visit in FY18, 30 had a self-assessment, and the remaining ten received a waiver. The 82 that did not receive a waiver were asked several questions about the monitoring process, their level of understanding, and the City staff with whom they interacted.
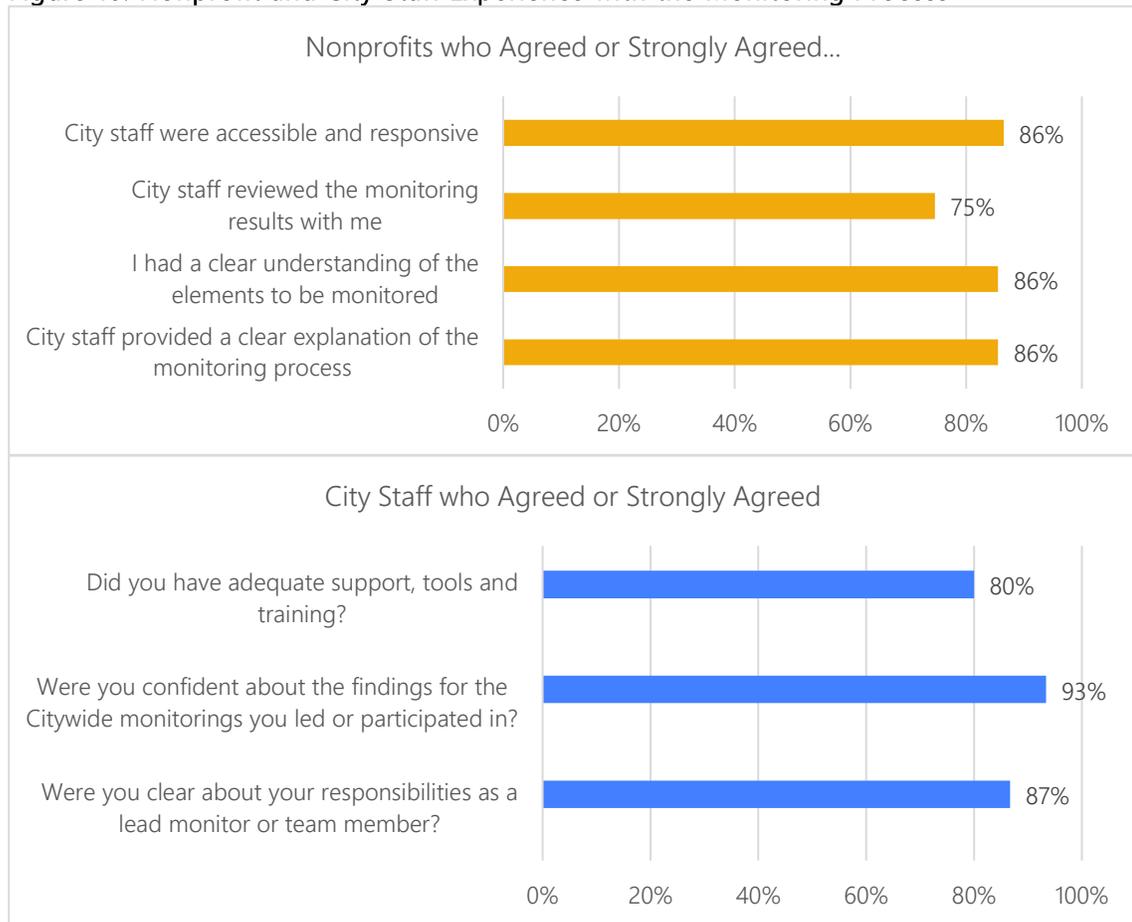
Figure 16 shows most nonprofit respondents agreed with each of the questions about their experience with the monitoring process. Many of the respondents' comments were positive and nonprofits praised City staff for being "*consistently responsive and helpful.*" Another respondent said, *"The entire process was clear, fair and meaningful. The staff are always very helpful and informative and although it is a site visit, it is done in partnership.*"

Monitors were asked questions about their confidence throughout the process, and the support they received. Figure 16 shows most monitors were clear about their responsibilities, were confident about their findings, and felt they had adequate support, tools and training. Some monitors expressed discomfort with discussing the standards and how to come into conformance with nonprofit staff. One monitor said s/he *"left coaching to more experienced monitors,"* while another stated, "*Coaching on fiscal items is still hard sometimes.*"

Related to their monitoring experience, 94% of staff agreed or strongly agreed that their teams collaborated effectively. One monitor stated, *"Really happy to participate in this program. Excellent model for working effectively across departments!"*

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[6] In FY18, 92 nonprofit contractors responded to the survey, representing 60% of the nonprofits in the joint monitoring pool. Among the approximately 40 City monitors, 22 staff from 11 departments responded to the City staff survey. Most City staff respondents (14) had between 0-2 years of experience conducting fiscal and compliance monitoring.

Figure 16. Nonprofit and City Staff Experience with the Monitoring Process

Nonprofits who Agreed or Strongly Agreed…

City staff were accessible and responsive	86%
City staff reviewed the monitoring results with me	75%
I had a clear understanding of the elements to be monitored	86%
City staff provided a clear explanation of the monitoring process	86%

City Staff who Agreed or Strongly Agreed

Did you have adequate support, tools and training?	80%
Were you confident about the findings for the Citywide monitorings you led or participated in?	93%
Were you clear about your responsibilities as a lead monitor or team member?	87%

The Program feedback survey asked nonprofits and City staff about Program goals and impact. The majority (87% of nonprofits) agree the Program helps their organization understand how to adhere to the City's standards. Though some results were mixed and may need further analysis, most nonprofit and City respondents agree or strongly agree the Program ensures monitoring is:

- Consistent across City departments
- Efficient and reduces duplication
- High quality, and
- Aligned with best practices in organizational management

Corrective Action Policy

ELEVATED CONCERN STATUS

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

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

FY17 Elevated Concern Results

FY17 monitoring resulted in three nonprofits being placed on elevated concern. One of the three contractors developed a comprehensive action plan and received intensive technical assistance based on that plan. The action plan aimed to correct the findings that led to elevated concern designation for the contractor, as well as to reduce the total number of findings and generally strengthen financial management practices. At the close of the FY18 monitoring cycle, the nonprofit significantly reduced the number of findings received in FY18 compared to FY17 and had the status removed based on FY18 monitoring results.

Two of the three contractors placed on elevated concern during FY18 remained due to continued instability. Additional assistance is being organized to support these two nonprofits on a path to stabilization.

FY18 Elevated Concern Designations

Based on FY18 monitoring results, the Controller's Office and City departments retained the following contractors on elevated concern status. No new contractors were added.

- African American Arts and Cultural Complex
- Mission Language and Vocational School

The contractors will receive technical assistance from the City during FY19, and designation of elevated concern will ensure that this technical assistance, and enhanced and coordinated oversight by City departments, will continue until the contractors can sustain financial management practices that meet City standards.

RED FLAG STATUS

Red flag status is for service providers at imminent risk of being unable to perform services per their contract. The designation is determined by City department or division heads, with recommendations

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

Based on FY18 monitoring results and activities, City departments did not place any contractors on red flag status.

Capacity Building Program

INDIVIDUAL COACHING

City contractors are eligible for financial management coaching services and workshops at no cost to them. Contractors funded by departments participating in the Program are prioritized for the service. Coaching supports Program goals by preventatively addressing issues that could impact the stability of a nonprofit and the services they offer to the community on behalf of the City. Coaching services are provided by Fiscal Management Associates (FMA) and the Northern California Community Loan Fund (NCCLF).

Participation in coaching should be viewed as a positive and proactive response by nonprofits interested in continuous improvement. Coaching is tailored to a nonprofit's needs and focuses on operational and transactional finance and governance functions, providing each nonprofit with the tools it needs to succeed.

The following contractors received technical assistance during FY18:

1. Centro Latino de SF *(concluded, agency not jointly monitored)*[7]
2. Homies Organizing the Mission to Empower Youth – HOMEY *(in progress)*
3. Independent Living Resource Center of San Francisco *(concluded)*
4. La Raza Centro Legal *(concluded)*
5. Nihonmachi Legal Outreach DBA APILO *(in progress)*
6. Queer Cultural Center *(in progress)*[8]
7. San Francisco Community Empowerment Center *(concluded)*
8. West Bay Pilipino Multi Service Corporation *(in progress)*

Coaching for these contractors focused on fiscal topics: improving financial reporting and use of QuickBooks to develop financial reports, implementing or refining cost allocation procedures, developing program-based budgets to better understand the true cost of programs, clarifying fiscal policies and procedures, and strengthening fiscal management and oversight, including board oversight and understanding of finances.

In FY18 the City delivered 210 hours of consulting support to nonprofit contractors, an average of 26 hours per contractor. The Program spent $37,294 to provide this support. Together with the nonprofit workshops (more information below), the Program spent nearly $50,000 to support contractors to have strong fiscal and governance practices.

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[7] Contractors do not need to be in the joint monitoring pool to qualify for assistance, though jointly funded contractors may be prioritized for service as a benefit of participation in the Program.
[8] Agency monitored in FY17, but not in the joint monitoring pool in FY18

Performance Measures	• On average, coached nonprofits had 5 fewer fiscal findings compared to their prior year's monitoring. As a comparison, excluding nonprofits that received coaching, all other contractors with findings in FY17 had 1.3 more findings in FY18. • 83% of the nonprofits that received coaching reported that the coaching services met their needs. *Target:* 70%

TRAINING SERIES

Trainings fill an important role in building capacity to understand and adhere to City standards. The Monitoring Program delivers a Fall Monitor Training Series designed to ensure all staff conducting monitoring, particularly those new to the role, have a foundational knowledge in nonprofit financial management practices and apply the City's standards consistently. Similarly, the Spring Nonprofit Training Series engages staff members from City-funded nonprofits in interactive sessions to consider both basic and advanced concepts in financial management.

Figure 17. Training Series Topics and Attendance

Training Series	Workshop Title	Number of Attendees
Spring Nonprofit Training Series	Budgeting 101	27
	Board Governance	27
	Telling Your Financial Story	26
Fall Monitor Training Series	Monitoring 101	18
	Assessing your Grantee's Financial Health	25
	Financial Planning	22
	Cost Allocation & Operations	22
	Mock Site Visit	12

Performance Measures	• 87% of nonprofits rated the training series as very helpful or somewhat helpful (of those who attended). *Target: 95%* • 21% of nonprofits who attended a training reported they changed their practices based on the training. • 80% of monitors felt they had adequate support, tools, and training to perform their responsibilities always or most of the time. *Target: 95%*

CAPACITY BUILDING FEEDBACK

Nonprofit contractors were more likely to agree that the capacity building services offered to nonprofits by the Program is high quality and responsive, compared to monitors, but less likely to agree that it is coordinated between departments (see Figure 18). Several nonprofits commented that they were not aware of capacity building through the Program. This year the Controller's Office provided City staff with materials to raise awareness about its capacity building services, which is meant to ensure nonprofits are offered the services when appropriate. Several participating departments offer capacity building services in addition to the Controller's Office. This may explain impressions about the level of coordination. In FY19, the Controller's Office is engaging departments in planning to better align capacity building services.

Monitor Feedback

When asked about the resources monitors found helpful, they were most likely to cite their colleagues on their monitoring teams from different departments (94% of monitors said this was helpful). About 76% of monitors reported that the Controller's Office staff and written Citywide Monitoring Guidelines were helpful.

Nonprofit Feedback

Of the respondents who attended the Controller's Office workshops (38 respondents), 87% said the workshops were helpful. About 21% of respondents who attended the workshop said they made a change in their financial or operational practices based on something they learned in the workshop. Another 29% said they planned to make a change and 50% of respondents said they did not change practices.

Figure 18. Percentage of Contractors and City Staff who Agree or Strongly Agree the Program Delivers Capacity Building that is…
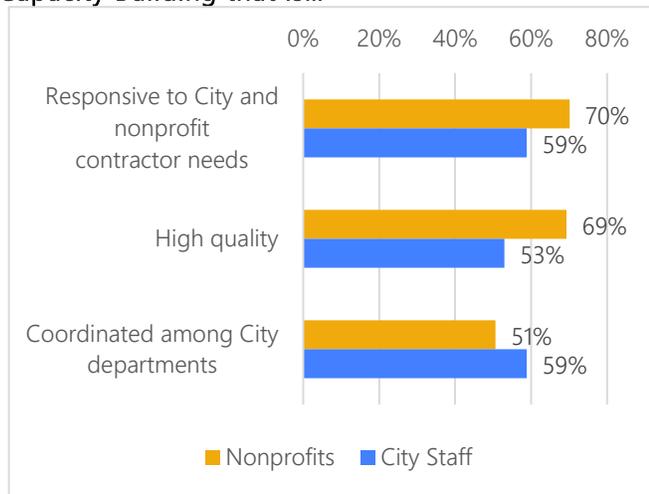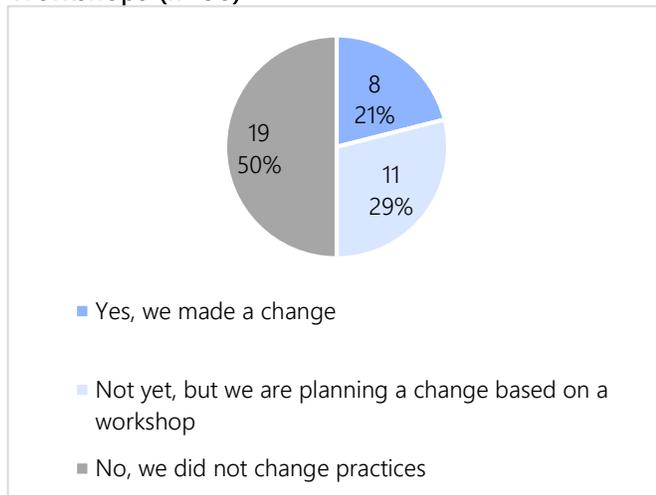

Figure 19. The Proportion of Nonprofits that Made Changes as a Result of the Spring Training Series Workshops (n=38)

Appendix A: Good Performance Waivers

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

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

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

The following nonprofit contractors received a waiver in FY18:
- AIDS Legal Referral Panel of the SF Bay Area
- Bay Area Legal Aid
- Chinese for Affirmative Action
- Homeless Prenatal Program
- Japanese Community Youth Council
- Lavender Youth Recreation and Information Center
- Legal Services for Children
- Mission Asset Fund
- Mission Hiring Hall
- Northern California Presbyterian Homes and Services
- Performing Arts Workshop
- Renaissance Entrepreneurship Center
- Richmond District Neighborhood Center
- San Francisco Network Ministries Housing Corporation
- San Francisco Sheriff's Department 5 Keys Charter School

Appendix B. Contractors with No Findings in FY18

The table below shows the 110 contractors that ended the FY18 in full conformance will all standards. Of these, 77% also had no findings in FY17 and 54% had no findings in FY17 *and* FY16. In the table below, a star (*) indicates no findings in the prior years, while blank cells in FY16 and FY17 columns indicate the contractor had one or more findings that year.

FY18 Contractors with No Findings	Also No Findings in FY17 (*)	Also No Findings in FY16 (*)
A Better Way	Not Monitored	Not Monitored
APA Family Support Services	*	*
Arriba Juntos - IAI	*	
Asian Americans Advancing Justice - Asian Law Caucus	*	
Asian Women's Shelter	Good Performance Waiver	*
Bay Area Community Resources	Good Performance Waiver	*
Bay Area Video Coalition		*
Bayview Association for Youth	Not Monitored	Not Monitored
Bernal Heights Neighborhood Center	*	
Booker T. Washington Community Service Center	*	*
Boys and Girls Clubs of San Francisco	Not Monitored	Not Monitored
Brava For Women in the Arts	*	
Brilliant Corners	Not Monitored	Not Monitored
Catholic Charities CYO	*	*
Causa Justa - Just Cause	*	*
Center on Juvenile and Criminal Justice	*	*
Central American Resource Center	*	
Central City Hospitality House	Good Performance Waiver	*
Central Market Community Benefit District	Not Monitored	Not Monitored
Children's Council of San Francisco	*	*
Chinatown Community Development Center	Good Performance Waiver	*
Chinese Culture Foundation of San Francisco	Not Monitored	Not Monitored
Chinese Progressive Association	*	*
Civic Center Community Benefit District	Not Monitored	Not Monitored
Collective Impact	*	
Community Awareness and Treatment Services	*	*
Community Initiatives	*	*
Community Technology Network	Not Monitored	Not Monitored
Community Works West, Inc.	*	

FY18 Contractors with No Findings	Also No Findings in FY17 (*)	Also No Findings in FY16 (*)
Community Youth Center of San Francisco	*	*
Compass Family Services	Good Performance Waiver	*
Conard House Inc	*	*
Curry Senior Center	*	*
Dolores Street Community Services		*
Donaldina Cameron House	Good Performance Waiver	*
Edgewood Center for Children and Families	Not Monitored	
Enterprise for Youth	Not Monitored	Not Monitored
Episcopal Community Services of San Francisco, Inc.	*	*
Eviction Defense Collaborative, Inc.	*	
FACES-SF	*	*
Felton Institute	*	*
Filipino American Development Foundation	*	Not Monitored
First Place for Youth	Not Monitored	*
Friendship House Association of American Indians	*	Not Monitored
Glide Community Housing	*	
Glide Foundation	*	
Good Samaritan Family Resource Center, Inc	*	
Gum Moon Residence Hall	*	*
Hamilton Family Center, Inc.	*	*
Hearing and Speech Center of Northern California	*	
Heluna Health	Not Monitored	Not Monitored
Homebridge	*	*
Homeless Children's Network	Good Performance Waiver	*
Horizons Unlimited of San Francisco, Inc.	*	*
Independent Living Resource Center of San Francisco		Not Monitored
Institute on Aging	*	
Instituto Familiar de La Raza, Inc.	*	*
International Institute of the Bay Area	*	
Jamestown Community Center, Inc.	Not Monitored	Not Monitored
Jewish Family and Children's Services	*	*
Jewish Vocational Service	*	*
Justice and Diversity Center-SF Bar Association	*	*
La Casa de las Madres	Good Performance Waiver	*
La Raza Centro Legal		
Lawyers' Committee for Civil Rights of the San Francisco Bay Area	*	*
Legal Assistance to the Elderly	*	*
Lighthouse for the Blind and Visually Impaired	*	Not Monitored
Lutheran Social Services of Northern California	*	*

FY18 Contractors with No Findings	Also No Findings in FY17 (*)	Also No Findings in FY16 (*)
MAITRI	*	*
Meals on Wheels	*	Not Monitored
Mission Housing Development Corporation	Good Performance Waiver	*
Mission Neighborhood Centers, Inc.	*	*
Mission Neighborhood Health Center	*	
Mt St Joseph-St Elizabeth	*	*
Mujeres Unidas y Activas	Good Performance Waiver	*
My Path	*	*
New Door Ventures	Not Monitored	Not Monitored
Nihonmachi Legal Outreach DBA APILO		*
Northeast Community Federal Credit Union		*
Portola Family Connections	*	*
PRC	*	Good Performance Waiver
Prevent Child Abuse California		*
Project Open Hand	*	*
Providence Foundation of San Francisco	*	*
Richmond Area Multi-Services, Inc.	*	Good Performance Waiver
Safe and Sound	*	*
Salvation Army	Not Monitored	Not Monitored
San Francisco Conservation Corps	*	*
San Francisco Food Bank	*	*
San Francisco Made	Not Monitored	Not Monitored
San Francisco Study Center	*	
Self-Help for the Elderly	*	*
Seneca Center	Good Performance Waiver	*
Shanti Project	*	Not Monitored
South of Market Child Care, Inc.	*	Not Monitored
Special Service for Groups	*	
St. James Infirmary	*	Not Monitored
Success Center SF	*	*
Sunset District Community Development - Sunset Youth Services	*	*
Swords to Plowshares Veterans Rights Organization	*	*
Telegraph Hill Neighborhood Center	Not Monitored	Not Monitored
Tenderloin Housing Clinic, Inc.	*	*
The Arc Of San Francisco	*	*
Tides Center	*	*
Toolworks Inc	*	*
United Playaz	*	
WestEd	Not Monitored	Not Monitored

FY18 Contractors with No Findings	Also No Findings in FY17 (*)	Also No Findings in FY16 (*)
Wu Yee Children's Services	*	*
YMCA of San Francisco	Good Performance Waiver	*
Young Community Developers	*	

Appendix C. Contractors with Repeated Findings, FY17-FY18

The following contractors repeated the findings included in the table below. See the dataset for a complete list of contractors and their FY18 findings.

1. **African American Art and Culture Complex**

   Audited Financial Statements

   > 3e. Audit completed within six months of the close of the contractor's fiscal year

2. **Bayview Hunters Point Foundation**

   Agency-wide Budget

   > 1f. 15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts

   Financial Reports

   > 6f. Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year

3. **Bayview Hunters Point Multipurpose Senior Services**

   Financial Reports

   > 6b. Balance Sheet: Working capital ratio is greater than 1

4. **Mission Language and Vocational School**

   Tax Form

   > 4a. Federal 990 return filed for most recent tax year or request for extension submitted on time

5. **West Bay Pilipino Multi Service Corporation**

   Cost Allocation Procedures

   > 2e. Procedures for cost allocation match actual cost allocation practices found in the agency-wide budget and financial documents

6. **Westside Community Services**

   Agency-wide Budget

   > 1f. 15% of funding from non-City sources or agency can demonstrate non-City fundraising efforts

   Financial Reports

   > 6f. Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year

Appendix D: Performance Measures

Measure	Program Category	Type of Measure	Existing or New in FY18	Target	FY16 Actual	FY17 Actual	FY18 Actual
# of attendees at Fall Monitoring Workshops	Monitoring	How Much	Existing	No Target		76	99
# of hours of coaching delivered	Capacity Building	How Much	Existing	No Target		248	210
# of nonprofits receiving coaching	Capacity Building	How Much	Existing	No Target		13	8
# of attendees at Spring Nonprofit Training Series	Capacity Building	How Much	Existing	No Target	62	74	80
% of monitors reporting that they were always or most of the time confident about their findings	Monitoring	How Well	Existing	95%	91%	100%	93%[9]
% of monitors who felt they had adequate support, tools, and training to perform their responsibilities always or most of the time	Monitoring	How Well	Existing	95%	82%	75%	80%[6]
% of nonprofits who report a clear understanding of the fiscal and compliance elements to be monitored in their contracts	Monitoring	How Well	Existing	95%	88%	92%	86%
% of monitors who agreed or strongly agreed that their monitoring teams collaborated effectively the majority of the time	Monitoring	How Well	New[10]	95%	80%	100%	94%[11]

[9] Survey question used a 4-point scale in FY17 and a 5-point scale in FY18. This may explain lower values in FY18.
[10] The wording of this measure changed in FY18. The prior years measured "The % of Monitors who state their monitoring teams worked well together always/most of the time."
[11] Survey question used a 4-point scale in FY17 and a 5-point scale in FY18. This may explain lower values in FY18.

Measure	Program Category	Type of Measure	Existing or New in FY18	Target	FY16 Actual	FY17 Actual	FY18 Actual
% of nonprofits agree or strongly agree the Program ensures the monitoring is efficient and reduces duplication	Monitoring	How Well	Existing	85%	85%	94%	62%[8]
% of nonprofits who rate the training series as very helpful or somewhat helpful (of those who attended)	Capacity Building	How Well	Existing	95%	94%	98%	87%
% of nonprofits that received technical assistance and reported that the coaching services met their needs	Capacity Building	How Well	New	70%		67%	83%
% of nonprofits who agree or strongly agree the Program helps ensure their nonprofit has strong, sustainable fiscal operations	Monitoring	Better Off	Existing	85%		84%	74%[8]
Average difference in fiscal findings for nonprofits that received technical assistance in the previous fiscal year	Capacity Building	Better Off	Existing	No Target[12]		9.3 fewer	5 fewer
% of nonprofits who attended a training and report (via survey) that they changed their practices based on the training	Capacity Building	Better Off	New	No Target[13]			21%

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[12] The Program is still establishing a baseline for this measure.
[13] The Program is still establishing a baseline for this measure.