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## **M E M O R A N D U M**

**TO:** Adam Thongsavat, Liaison to the Board of Supervisors, Office of the Mayor  
Greg Wagner, City Controller, Office of the Controller  
Carmen Chu, City Administrator, Office of the City Administrator

**FROM:** Monique Crayton, Assistant Clerk, Government Audit and Oversight  
Committee, Board of Supervisors

**DATE:** June 10, 2025

**SUBJECT:** Civil Grand Jury Report Received

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The Board of Supervisors' Government Audit and Oversight Committee is in receipt of the San Francisco Civil Grand Jury (CGJ) report released June 3, 2025, entitled: "Capacity To Serve: Setting Social Services Nonprofits Up for Success."

Pursuant to California Penal Code Sections 933 and 933.05, the departments must:

Respond to the report within 60 days of receipt, or no later than September 1, 2025.  
For each finding the Department response shall:

- 1) agree with the finding; or
- 2) disagree with it, wholly or partially, and explain why.

As to each recommendation the Department shall report that:

- 1) the recommendation has been implemented, with a summary explanation; or
- 2) the recommendation has not been implemented but will be within a set timeframe as provided; or
- 3) the recommendation requires further analysis. The officer or agency head must define what additional study is needed. The Grand Jury expects a progress report within six months; or
- 4) the recommendation will not be implemented because it is not warranted or reasonable, with an explanation.

The Civil Grand Jury Report identified the following City Departments to submit responses:

- Office of the Mayor
- Office of the Controller
- Office of the City Administrator

When submitting responses to the Civil Grand Jury, please forward a copy to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or email at: [monique.crayton@sfgov.org](mailto:monique.crayton@sfgov.org).

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# Capacity To Serve

## Setting Social Services Nonprofits Up for Success



*Image credits: sf.gov*

June 3, 2025



**CITY AND COUNTY OF SAN FRANCISCO**

**2024–2025 CIVIL GRAND JURY**

## About the San Francisco Civil Grand Jury

The San Francisco Civil Grand Jury (“the Jury”) is a government oversight panel of volunteers who serve for one year. Each Jury determines which San Francisco government entities or officials it will investigate. Private citizens may also submit written complaints to the Jury, for investigation at the Jury’s discretion. The Jury cannot investigate disputes between private parties, criminal activity, or activities outside its jurisdiction, which is the City and County of San Francisco.

In reports made available to the public, the Jury documents findings and recommendations based on its investigations. Reports do not identify individuals by name, and disclosure of information about anyone interviewed by the Jury is prohibited.

The San Francisco Civil Grand Jury consists of 19 city residents impaneled by a Superior Court Judge. By state law, a person is eligible for Civil Grand Jury service if he or she is a U.S. citizen, 18 years of age or older, of ordinary intelligence and good character, and has a working knowledge of the English language.

### 2024–2025 Civil Grand Jurors\*

Michael Carboy

*Foreperson*

Jonathan E Cowperthwait

*Foreperson Pro Tempore*

Katherine Blumberg

Jill Center

Phyllis Deets

Phoebe Douglass

Quang Duong

Stan Feinsod

Bart Fisher

Samuel Fleischmann

Juliette Kruse

Jorlyn Le Garrec

Judy Nadel

Connor Owens

Cameron Parker

Lucy Saldaña

Barbara Savitz

Nykol'e Taylor

Nicholas Weininger

\* This report is issued by the Grand Jury with the exception of one juror who was recused because of a current or recent connection with a San Francisco agency overseeing nonprofits. This juror was excluded from all parts of the investigation, discussion, and deliberations related to this report, and from the writing and approval of the report.

# Summary

The City and County of San Francisco spends over a billion dollars per year on grants to social services nonprofits—and the value we get for that money is uncertain. These grants, comprising more than 7% of the city budget, fund essential services for some of our most vulnerable residents, such as housing for the homeless, childcare for lower-income parents, mental health and substance abuse treatment, and meals for disabled seniors. The city relies heavily on nonprofits to provide these services, largely because of the cost advantages of outsourcing.

In a time of daunting budget deficits, stark inequality, and a hostile federal funding environment, it is more important than ever for the city to use social services money efficiently. The Civil Grand Jury investigated how San Francisco awards and monitors social services grants, aiming to understand what could be improved. Local news sources regularly feature stories about mismanagement and misspending by nonprofit grantees. Yet the Jury found that crucial contributors to this mismanagement include weak nonprofit organizational capacity and complex, inefficient municipal government processes. Specifically:

1. The city **fails to proactively help social services nonprofits build capacity**. As a result, awardees too often lack the skills to manage grant funds effectively.
2. The city's **lengthy and complex municipal procurement process** creates extreme delays and uncertainties. Grantees are thus unable to count on timely funding for their services, making good management even harder.
3. The city has **not invested enough in its employees' skills and tools** for navigating the procurement process, aggravating the difficulty and delay.
4. City monitoring programs, while extensive and recently expanded, **don't lead to timely correction of issues**. That failure undermines public trust and service efficiency.

To address these shortcomings, the Jury recommends, first and foremost, that the city **proactively ensure** that nonprofit grantees can manage funds well, rather than just reacting

when they fail to do so. We also recommend specific simplifications to the procurement process, as well as improvements to employee training and software tools. For detailed recommendations and timelines for implementation, please refer to [Findings and Recommendations](#).

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# Background

According to the Milken Institute Best Performing Cities Report<sup>1</sup> released in January 2025, San Francisco is one of the most economically unequal cities in America. The contrast between the amazing tech-driven wealth and persistent homelessness and poverty in our city is shocking.

Municipal social services attempt to address this divide through programs ranging from housing to childcare to disability services to workforce development. Without them, San Francisco would likely experience increased homelessness, higher crime rates, reduced economic productivity, and a lower quality of life for everyone.

Many city social service programs rely on outsourcing to nonprofit organizations, largely for cost reasons. In recent years, that outsourcing has resulted in a steady stream of news stories about nonprofits mismanaging city funds. Some examples<sup>2</sup> include:

- **Baker Places**, which experienced losses due to poor financial management that led to closures of supportive housing properties and millions in unpaid debts to the city.
- **Providence Foundation**, which is the subject of allegations including fraudulent invoices, mismanagement problems, and unfilled shelter beds, and which is currently suspended from receiving city contracts, pending an administrative hearing.
- **HomeRise**, which used millions of dollars' worth of improper transfers to cover up losses and gave questionable bonuses to staff until it was forced to change leadership.

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<sup>1</sup> Milken Institute, "2025 Best-Performing Cities," <https://milkeninstitute.org/content-hub/research-and-reports/research-and-data-tools/2025-best-performing-cities-mapping-economic-growth-across-us>

<sup>2</sup> More details on these examples can be found in Appendix A.

To improve public trust in government, and to ensure taxpayer dollars are being spent effectively to help disadvantaged San Franciscans, the Jury decided to investigate why such problems keep happening, and how social services procurement could be improved. Several municipal initiatives in the past few years aimed at improving aspects of that procurement process. The Jury assessed their effectiveness and drawbacks as part of our investigation.

## Social Services are a Large and Growing Part of the City Budget

The total budget of the City and County of San Francisco has surged from roughly \$5.2 billion in FY 2003–04 to more than \$14.6 billion in FY 2023–24 despite minimal population growth over that time.<sup>3</sup> Rising investments in social services programs account for nearly half of the increase: roughly speaking, the social services budget was about \$1.6 billion in FY 2003–04 and is now about \$5 billion. Many different programs have contributed to this growth:

- The Department of Public Health (DPH) budget has almost tripled, from about \$950 million in FY 2003–04 to over \$3 billion in FY 2023–24, reflecting ongoing commitments to preventive care, mental health services, and broader public health initiatives.
- The Human Services Agency (HSA) more than doubled its budget from around \$495 million to roughly \$1.1 billion, channeling resources toward food assistance, welfare-to-work programs, and care for older adults and children.
- Spending on housing services—today mostly managed by the Department of Homelessness and Supportive Housing (HSH)—has risen even faster, growing by a factor of more than six from under \$100 million in the early 2000s to over \$635 million in FY 2023–24, and nearly tripling as a share of the overall city budget.

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<sup>3</sup> Some of this increase is due to inflation, but not all: the general price level increased only 66% from 2003 to 2023, according to the Bureau of Labor Statistics inflation calculator.

- The Department of Children, Youth, and Their Families (DCYF), which administers after-school programs, family resource centers, and youth development grants, has also increased its budget by more than five times over the past two decades—from about \$44 million in FY 2003–04 to over \$318 million by FY 2023–24.
- The new Department of Early Childhood (DEC), established in 2022, has a budget of about \$383 million annually, mostly dedicated to childcare subsidies.

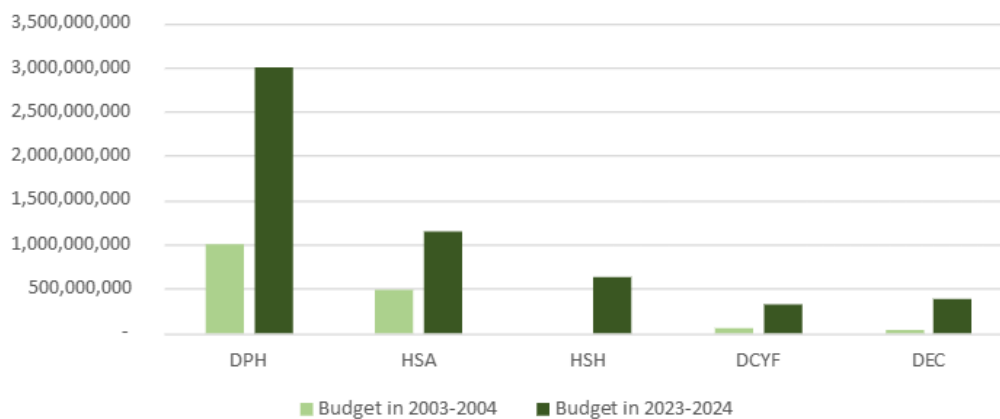


Figure 1: Spending in 2003-04<sup>4</sup> versus 2023-2024<sup>5</sup> for selected social services departments.

Much of this increase is driven directly by the expressed intent of San Francisco voters. In 2018 alone, two ballot propositions<sup>6</sup> established dedicated funding streams, paid for by special taxes, for homelessness services and childcare. Voters have made social service funding a priority, yet the city hasn’t focused accordingly on effective processes for distributing that funding.

<sup>4</sup> 2003-2004 City and County of San Francisco Consolidated Budget and Annual Appropriation Ordinance No 194-03 [https://sfcontroller.org/sites/default/files/FileCenter/Documents/81-AAO\\_03\\_04%5B1%5D.pdf](https://sfcontroller.org/sites/default/files/FileCenter/Documents/81-AAO_03_04%5B1%5D.pdf)

<sup>5</sup> 2023-2024 City and County of San Francisco Budget and Appropriation Ordinance No 161-22 <https://sfcontroller.org/sites/default/files/Documents/Budget/AAO%20FY2022-23%20%26%20FY2023-24%20-%20FINAL%2020220727.pdf>

<sup>6</sup> Both propositions, confusingly, were named Proposition C, because they were on the ballot at different times of year. “Baby Prop C,” the childcare tax, was passed in June 2018 and “Big Prop C,” the homelessness tax, in November 2018.

## A Large Fraction of Social Services Spending Goes to Nonprofits

San Francisco increasingly provides social services through contracts with dedicated nonprofit service providers. These nonprofits, sometimes called Community-Based Organizations (CBOs), are often rooted in specific communities or neighborhoods, and capitalize on deep relationships and trust within the communities they serve.

City funding of nonprofits has increased in both magnitude and complexity in recent years. Total spending on social services has increased from \$3.9 billion in 2019 to \$5.5 billion in 2024. Funding provided to nonprofits is a disproportionate part of that increase, rising from 16% (\$631 million) of all social services spending in 2019 to over 20% (\$1.1 billion) in 2024. The graph below (Figure 2) illustrates these increases in spending on nonprofits across some of the largest social services departments.

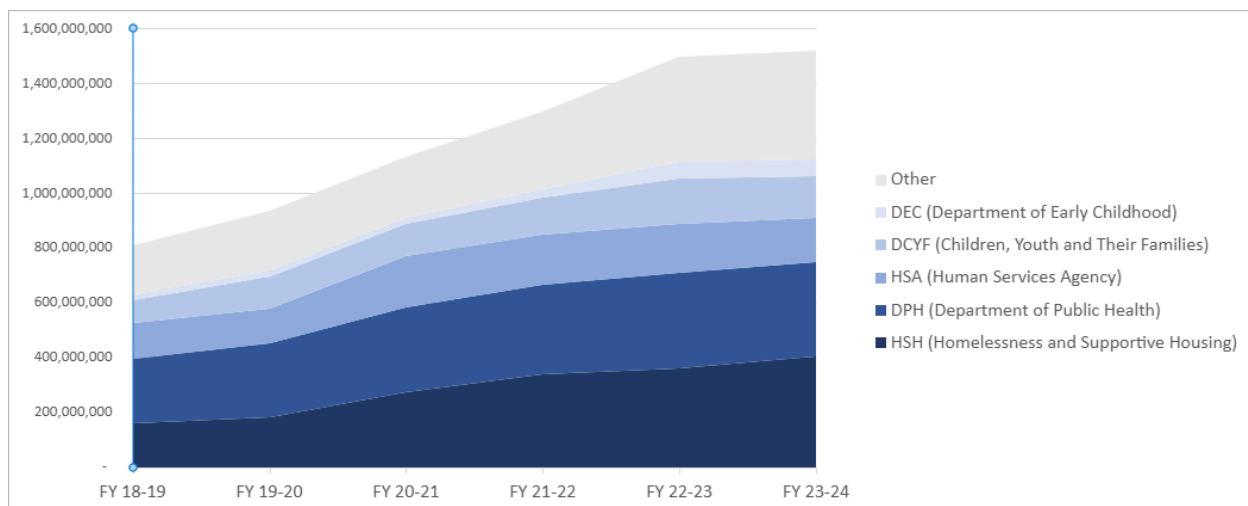


Figure 2: Total city spending on nonprofits by selected social services departments.<sup>7</sup>

<sup>7</sup> These values are underestimates due to the exclusion of "pass through" payments where the nonprofit provider receives funds that they disburse to other agencies, such as for childcare or workforce subsidies. Source: [San Francisco Nonprofit Contracts and Spending Dashboard](https://www.sf.gov/data-san-francisco-nonprofit-contracts-and-spending), <https://www.sf.gov/data-san-francisco-nonprofit-contracts-and-spending>

## Why Outsource Social Services to Nonprofits?

Other cities often provide social services directly, using government funds to pay public employees and purchase public property. New York City is a good example of a municipality that invests significantly in direct service provisioning. Its Department of Homeless Services (DHS), for instance, directly operates municipal shelters with city staff—25 of them housing about 2,000 homeless families as of 2015.<sup>8</sup>

It's thus natural to ask why San Francisco couldn't do more direct provision and avoid the problems that come with outsourcing. Interviewees consistently told the Jury there are two main reasons:

1. **Cost.** Many interviewees told the Jury that direct city provision of social services would cost far more than outsourcing it, mostly due to labor cost. San Francisco's stringent civil service rules for hiring municipal employees would greatly increase the expense and time required to staff up service provision.
2. **Community responsiveness.** Nonprofit organizations can often provide forms of cultural competence that city employees lack, such as communicating with clients in a wide variety of native languages. They may also find it easier to earn the trust of vulnerable people who have understandable reasons to be wary of government officials.

To the Jury's knowledge, the city has not quantified the cost advantages it gains by outsourcing social services to nonprofits. But circumstantial evidence suggests that there is indeed a large cost differential. For instance, as discussed below, city departments often must submit to the Civil Service Commission (CSC) a document outlining their rationale for outsourcing social services. These rationales sometimes provide comparative cost estimates. In one case, the CSC requested additional information on the scope of work for a Personal

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<sup>8</sup> City of New York, Department of Investigation, [https://www.nyc.gov/assets/doi/press-releases/2015/mar/pr08dhs\\_31215.pdf](https://www.nyc.gov/assets/doi/press-releases/2015/mar/pr08dhs_31215.pdf)

Services Contract (PSC 49-798 23/24) through the Human Services Agency (HSA). The agency estimated that having HSA staff do the work would cost over **50 times** as much as outsourcing (over \$10 million compared to \$173,000). This may be an outlier, but it does show that very large differentials can exist.

## Many Governing Bodies Share Oversight Responsibility

The complexity of San Francisco's government has been a theme of several recent Civil Grand Jury reports, including the 2023–24 reports “Lifting the Fog” and “Commission Impossible.” It's common to have multiple government bodies with overlapping oversight duties. When elected officials or voters identify an emerging governance problem, they often vote to create yet another oversight body to remedy the shortcomings of the existing structure, or burden existing bodies with more requirements. These responses can create their own problems over time.

City government bodies that oversee social services grants include:

- **Grantmaking departments** such as HSH or DEC. These departments typically have leaders who propose what kinds of services to spend grant money on, and program managers who interact with the grantees to ensure that the money is being spent effectively. They also, of course, decide which nonprofits get the grant money, through processes which we will discuss in the Analysis section.
- **Departmental commissions** such as the Homelessness Oversight Commission or the Health Commission. As part of overseeing the operations of their respective departments, these commissions often review grant proposals and/or awards.<sup>9</sup>

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<sup>9</sup> These are not the same as the commissions which oversee the spending of voter set-aside funds, such as the Our City Our Home oversight commission, which oversees funds from the 2018 homelessness tax proposition. Those commissions typically do *not* review grant proposals and award decisions, which is important because those commissions' members often include leaders of grantee nonprofits.

- **The City Attorney's Office** reviews grant proposals and awards for legal compliance.
- **The Board of Supervisors** must approve grants of \$10 million or more and grants lasting 10 or more years. The \$10 million threshold took effect in 1996 and has not been adjusted for inflation since then.
- **The Controller's Office** monitors nonprofit grantees, auditing them for fiscal compliance and mandating remedies when it finds mismanagement.

For some kinds of social services provision, there are even more reviewers, including these:

- **The Civil Service Commission** reviews certain categories of contract proposals to protect city jobs from outsourcing.
- **The Office of Contract Administration** standardizes contract practices across city departments and reviews contracts for compliance with those standards.

Furthermore, city rules are not the only source of complexity in the oversight of social services grant funds. This is because the funds can also come from state and federal sources, which often have their own legal requirements for how they must be spent and accounted for. For instance, the state provides First 5 California tobacco tax revenue which is earmarked for childcare by California Proposition 10 from 1998. And federal authorities such as the Department of Health and Human Services (HHS) and Housing and Urban Development (HUD) provide more than 9% of the city's total social services budget.

Interviewees consistently told the Jury that dealing with all these different oversight bodies is one of the most burdensome aspects of making social services grants. In the Analysis section, we will explore in more detail how each layer of oversight affects the grantmaking process, and what could be done to make it work more efficiently.

# Analysis

Given the cost and other advantages discussed in the Background, the Jury believes it is likely infeasible for San Francisco to change its practice of extensive outsourcing of social services provision. To make outsourcing successful, the city must do several hard things:

- It must make sure the selection process for which nonprofits get grants or contracts is carried out fairly and with integrity.
- It must disburse payments to grantees in a timely fashion.
- It must ensure that grantees manage funds according to the terms of the grant or contract agreement and that they comply with applicable laws and ordinances.
- Perhaps most importantly, it must ensure that grantees provide good value for money and effectively deliver services to vulnerable residents.

The Jury's investigation found serious shortcomings in how the city approaches these tasks. We discuss these shortcomings in detail in this section. Notably, the issues we found are related to systemic problems with city government previously investigated by the Civil Grand Jury. For example:

- Siloing of city departments, found by the 2023–24 CGJ report “Lifting the Fog,” impedes the cross-departmental cooperation needed for effective social services spending.
- City government complexity, exemplified by the proliferation of commissions discussed in the 2023–24 report “Commission Impossible,” makes procurement processes take excessive time and effort to navigate.



With an \$840 million budget shortfall as of May 2025, and potential federal funding cutoffs looming, there has never been a more urgent time to address these systemic problems. The welfare of our most vulnerable citizens depends on it. So does public trust in government.

## Nonprofits Often Lack Organizational Capacity

Throughout this report we will often use the term “organizational capacity.” As it relates to nonprofits, we define organizational capacity as a nonprofit’s ability to effectively fulfill its contractual obligations and achieve its mission through strategic deployment and management of its funds and staff. This includes the organization’s capability to:

- Maintain sufficient financial health to consistently deliver contracted city services.
- Demonstrate fiscal integrity through transparent and ethical use of public funds.
- Develop and retain qualified staff who can deliver high-quality services that meet city contract requirements.
- Meet reporting and compliance requirements while maintaining service quality.

Interviewees across multiple city departments, as well as leaders in the nonprofit sector itself, consistently told the Jury that capacity shortages among San Francisco’s social services nonprofits are a major obstacle to effective service provision. The Jury identified three common causes of low organizational capacity among nonprofits that contract with the city:

1. Departments often select low-capacity nonprofits because they have other strengths.
2. Nonprofits that start out with good organizational capacity often lose it over time.
3. The city’s overly complex procurement process often isn’t truly competitive.

## Departments Often Value Other Qualities Over Capacity

When a department decides to deliver a service through a contract with an outside organization, it goes through a selection process. Typically, this process involves soliciting competitive bids and ranking bidders based on a predefined list of criteria. Indicators of organizational capacity are often among these criteria. But departments have discretion when deciding how much weight to give these indicators versus other factors.

For example, a nonprofit with particularly close connections to the community may be awarded a grant despite a relative lack of organizational capacity. The idea is that the potential effectiveness of service delivery resulting from its community connections could outweigh the risk of mismanagement. Different departments have made different decisions about this tradeoff over the years. As a result, the city has granted funds to nonprofits that have a wide range of organizational capacity.

## Organizational Capacity Is Fragile

In some cases, a nonprofit may be evaluated for and have sufficient organizational capacity at the time they receive the contract. But this capacity may not persist if the nonprofit loses key personnel with important management skills. This is a common risk given the difficulty nonprofit organizations have retaining personnel, especially in a high-cost area like San Francisco. In the example of HomeRise mentioned in the Background section, interviewees told the Jury that leadership turnover was a key driver of its mismanagement problems.

## Competitive Procurement Often Isn't Really Competitive

San Francisco relies on the pool of available nonprofits to ramp up and down to meet new and growing social services. If the number and scale of nonprofits does not grow in keeping with the city's needs, that limitation becomes a bottleneck. Ironically, increases in funding can make this problem worse.

In the broader picture of city procurement, we see some evidence of this bottleneck occurring. Even when a grant is put out for competitive bidding, if there is only one qualified respondent to the solicitation of bids, the process isn't truly competitive. The Jury reviewed a sample of procurement records from several social services departments and found instances with a single respondent or few respondents that all received the award.

We do not have overall data on how often this occurs across all social services grants, due to limitations and inconsistencies in record keeping across departments. But a recent sample of contracts reviewed by the outside organization SPUR (San Francisco Bay Area Planning and Urban Research Association) found that 46% of solicitations had one or zero responses.

Some interviewees told the Jury that this lack of competitiveness often results from the specificity of local social services needs and of the nonprofits created to respond to those needs. If the city decides, for instance, that it wants to fund shelter beds or behavioral health services in a particular neighborhood or for a particular subgroup of city residents, there may naturally only be one organization that specializes in that neighborhood or group. Competitive bidding then becomes an artificial barrier to reaching a foregone conclusion.

However, the complexity of the procurement process, discussed below, is likely also a contributing factor, as is the lack of skilled personnel in the nonprofit sector who know how to navigate that process. If the city is in practice forced to select nonprofit grantees based on their ability to navigate procurement instead of their ability to serve the community, that ultimately makes it much harder to get good value for our social services spending.

### **The City's Current Capacity Building Efforts Fall Short**

When the city decides to outsource services to a nonprofit, it is still responsible for ensuring that they are provided in an efficient, effective and ethical manner. To that end, in 2005, the controller's office created a team to audit nonprofits and provide them with coaching, known

as the [Citywide Nonprofit Monitoring and Capacity Building Program](#).<sup>10</sup> The Program works with nonprofits that receive \$1 million or more from at least one department, or that receive \$200,000 or more from two or more departments.

While the efforts of the Program are laudable and have improved over the years of operation, the Jury found that it is not sufficient to address the organizational capacity shortage. We found that, in general, the Program's efforts are not proactive at identifying and resolving issues and largely rely on self-reported metrics from nonprofits.

Based on the Program's 2023–2024 [annual report](#),<sup>11</sup> almost 30% of nonprofits did not meet all fiscal and compliance standards and ended the cycle with unresolved findings. Only 50% of nonprofits agreed or strongly agreed that the Program helped to ensure they had strong, sustainable fiscal operations. Only 12 out of 211 contractors received individualized coaching, and these cases appear to be reacting to long-known problems instead of proactively preventing problems. Only 33% of city monitors agreed that their monitoring teams collaborated effectively most of the time. These results demonstrate a lack of focus on individualized attention and effectiveness of support to nonprofits going through the monitoring process.

Additionally, in interviews with city employees, the Jury learned that many were not aware of any positive impact of the Program, or in some cases, weren't even aware the program exists.

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<sup>10</sup> "Citywide Nonprofit Monitoring and Capacity Building Program," <https://www.sf.gov/resource-2022--citywide-nonprofit-monitoring-and-capacity-building-program>

<sup>11</sup> "Citywide Nonprofit Monitoring and Capacity Building Program, "Fiscal Year 2023-2024 Annual Report," [https://www.sf.gov/sites/default/files/2024-12/Citywide%20Nonprofit%20Monitoring%20and%20Capacity%20Building%20Program%20FY24%20Annual%20Report\\_0.pdf](https://www.sf.gov/sites/default/files/2024-12/Citywide%20Nonprofit%20Monitoring%20and%20Capacity%20Building%20Program%20FY24%20Annual%20Report_0.pdf)

## Procurement Inefficiency Is a Huge Burden

The complex, time-consuming nature of San Francisco’s municipal procurement process was mentioned by nearly every person the Jury interviewed for this investigation. The city’s highly layered process is intended to ensure fiscal responsibility, improve contracting equity, and mitigate legal risk. But the process requirements result in extremely long delays. Many interviewees told the Jury they have to plan for new grants or re-procurements anywhere from 6 to 12 months ahead of time, which undermines their ability to adapt programs to changing needs and to manage departmental staff time. Recent reports from SPUR and from the city itself<sup>12</sup> also have highlighted the large amount of costly city employee labor time spent on procurement.

To illustrate how big a problem this is, we will summarize the main steps in the current procurement process. Notably, the Jury could not find any official documentation of this process as a whole. We therefore offer this as the best snapshot we can find of how things function as of early 2025. We urge the city to produce reference documentation that it will keep updated as the process evolves—and, hopefully, as it is simplified.

### Procurement Law in San Francisco: A Maze of Possibilities

One source of complexity is that there are many variations on the procurement process, depending on just what the procurement is for. Social service grants and contracts fall under Chapter 21 of the San Francisco Administrative Code, which defines a standard contracting process and then has several subchapters making exceptions for various special situations.

In the standard process, a contract under Chapter 21 must be awarded using competitive bidding with formal Requests for Proposals (RFPs) used to define what prospective contractors are bidding for. Both these RFPs and the actual awarded contracts must be

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<sup>12</sup> City Administrator’s Office, “Improving the Process for Chapter 21 Low-value Procurements”, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf)

approved by multiple reviewers. In particular, RFPs for contracts over \$200K in value must be reviewed by the Civil Service Commission (CSC), which many interviewees told the Jury is a significant source of delay.

Until 2019, this full process was required for all social service grants and contracts, with only a few informal “consensus” exceptions. Because the process is so complex, and expediting social services so urgent, the city has since enacted a succession of amendments which attempt to simplify procurement for specific cases:

- Subchapter 21G, created in 2021 by ordinance 110-21, defines rules specific to *grants*. Grants are defined as cases where the contract requires the vendor to provide services to the public for general social benefit, rather than services to the city government per se. Grants must still *usually* be competitively bid, but are exempt from Civil Service Commission review, as well as review by the Office of Contract Administration (OCA).
- Subchapter 21B defines specific types of grants which are exempt from competitive bidding. 21B was first created in 2019 by ordinance 61-19 with a five-year sunset period, intended to address the homelessness crisis by allowing HSH to expedite housing services grants. The ordinance was renewed for another five years in 2024 by ordinance 38-24. In 2025 additional language was added by ordinance 10-25 to include certain mental health and substance use services grants intended to address the fentanyl crisis.
- Additionally, in 2024, subchapter 21A was amended by ordinance 37-24 to define yet another exemption to competitive bidding rules for procuring residential mental health treatment beds.

If you're confused by all these exceptions, so were we—and so are many city employees. The Jury found that this proliferation of exceptions actually has made procurement slower rather than faster as intended, by making it harder for departments to understand and navigate.

In particular, the Jury found that interviewees within city departments gave varying answers to the question of what exactly “counts” as a grant that falls under 21G rules, and what grants qualify for the 21A and 21B exemptions. The City Attorney’s office has had to weigh in on how to interpret all these statutory criteria. Its interpretations have sometimes resulted in certain categories of social service outsourcing, such as those used by DPH, being classified as contracts rather than grants even though they ultimately provide services to the public rather than the government. This adds time and effort to the process.

### Preparing a Program for Competitive Bids

The grantmaking process begins with a goal: a department wants to achieve some specific outcome for a population which it has a mandate to serve. These broad goals and mandates are often, for example, found in long-term departmental strategic plans such as the recent [Department of Early Childhood five year plan](#).<sup>13</sup>

Once a clear need has been identified, the department typically creates a request for proposal (RFP). An RFP must describe:

- The scope of work to be performed for the grant money.
- Submission requirements for any applicant.
- The terms under which the grant will be provided and monitored, and the performance metrics that will be used to evaluate success.
- Criteria that will be used to select one or more organizations to receive the grant.

Example RFPs reviewed by the jury all provided general background on the soliciting department and the purpose of the RFP. They also provide detailed scopes of work as well as precise expectations for the submitted proposal including deadlines, format, and page lengths

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<sup>13</sup> San Francisco Department of Early Childhood, “Strategic Plan 2023-2027”, [https://sfdec.org/wp-content/uploads/2023/01/SF-DEC\\_Strategic-Plan\\_ExecutiveSummary.pdf](https://sfdec.org/wp-content/uploads/2023/01/SF-DEC_Strategic-Plan_ExecutiveSummary.pdf)

for each section. The RFPs also provided information about the city conflict of interest rules, social policies, and how to become eligible to work with the city. However, they notably lacked information about what happens after a notice of contract award.

The City Attorney's office encourages, but does not formally require, departments to send their RFPs for review to ensure that they comply with legal mandates and protect the city's interests appropriately. Department officials who draft RFPs are also subject to conflict-of-interest rules: they must attest that they have no inappropriate connection with organizations that might bid to be awarded the grant.

The above process is simpler for grants that meet the 21B emergency exemption criteria, but more complex for contracts that do not qualify as grants under 21G. For 21B exempt emergency grants, no formal RFP is required, though departments can and do sometimes choose to issue informal solicitation documents in lieu of an RFP.

For contracts over \$200K that do not qualify as grants under 21G, the RFP hits an additional roadblock at this stage: it must be pre-approved by the Civil Service Commission (CSC) before it can be issued publicly. The CSC reviews RFPs at regular biweekly meetings to determine whether the work to be outsourced could instead be performed in-house by city employees. The main city employees' union, SEIU, has an MOU (memo of understanding) with the city requiring 60 days' advance notice before that review so it can give its input to the CSC. Departments must submit justifications to the CSC to gain approval on a case-by-case basis, describing reasons for outsourcing such as lack of relevant expertise among city employees or large cost advantages for outsourcing.

## Selecting Awardees

If the grant or contract is to be competitively bid, the RFP must be publicly posted for at least five days to solicit qualified bidders. In order to qualify to bid, a nonprofit must satisfy a complex set of rules specific to city contractors. Ordinary nonprofits that don't take city money



don't have to follow these rules; thus, the rules make it less likely that an organization will choose to bid for city grants at all.

These rules require, among other things, that the nonprofit must:

- Document that it [provides equal benefits](#)<sup>14</sup> to employees with domestic partners. This is commonly known as “12B compliance” since it was originally mandated by Section 12B of the Administrative Code, but it is now in Articles 131 and 132 of the Labor and Employment Code. This requirement was originally designed to promote equal treatment of same-sex couples before the legalization of same-sex marriage.
- Document, or receive a waiver for, a growing list of [insurance requirements](#)<sup>15</sup> established by the city’s Risk Manager under Chapter 21 code authority.
- Fulfill a lengthy list of other<sup>16</sup> requirements related to social policy objectives.

The department then designates a panel of experts who score qualified bids according to the criteria stated in the RFP. The panel members must be chosen to avoid conflicts of interest either with the program officers writing the RFP or the bidders responding to it. Different departments use different strategies to secure independent panelists, such as choosing employees from elsewhere in city government or making reciprocal agreements with other counties’ municipal governments to have their employees judge each other’s bids.

Some grants are exempt from competitive bidding. In these cases, a department official may simply identify a suitable nonprofit and negotiate a service contract with them. In some cases, Chapter 21B gives departments blanket authority to bypass competitive bidding for specific

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<sup>14</sup> “Comply with the Equal Benefits Program,” <https://www.sf.gov/comply-equal-benefits-program>

<sup>15</sup> San Francisco Office of Contract Administration, “Insurance Requirements Contractor/Vendor – San Francisco,” [https://sfgov.org/oca/sites/default/files/FileCenter/Documents/729-insurance\\_requirements.pdf](https://sfgov.org/oca/sites/default/files/FileCenter/Documents/729-insurance_requirements.pdf)

<sup>16</sup> San Francisco Treasurer, “Appendix A: Standard Solicitation Terms and Requirements,” <https://sftreasurer.org/file/business-tax-system-appendix-standard-solicitation-terms-and-requirements/download?attachment>

purposes. In other cases, departments may apply to the Office of Contract Administration (OCA) for one-off sole sourcing waivers with special justifications. There are three allowed justifications for sole sourcing:

- No substitute for the product or service and only one source for it.
- Proprietary articles required for the product or service that have only one source.
- Proprietary software licenses, support, or proprietary equipment maintenance.

In all these cases, departments are required to make periodic public reports<sup>17</sup> on contracts which are not competitively bid.

Competitive bidding is intended to ensure that the selection of awardees is free of bias and corruption and that the best qualified available vendor is selected. Yet there are reasons to doubt that it consistently achieves this goal in practice. One is that, as discussed above, the bidding may not turn out to be truly competitive. For another, a recent city report<sup>18</sup> found that contracts were awarded to Urban Ed Academy despite competitive bidding resulting in other bidders' scoring higher. It is unclear to the Jury how the city ensures that department officials actually make unbiased decisions rather than just going through the motions.

## Negotiating and Approving the Contract

Once one or more grant or contract awardees have been chosen, the city must finalize an approved agreement with the nonprofit. Interviewees frequently told the Jury that this is the

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<sup>17</sup> Example: Department of Homelessness and Supportive Housing, "2023 Streamlined Contracting Annual Report," [https://media.api.sf.gov/documents/2023-Streamlined-Contracting-Annual-Report\\_HSH-1\\_jYG5a1U.pdf](https://media.api.sf.gov/documents/2023-Streamlined-Contracting-Annual-Report_HSH-1_jYG5a1U.pdf)

<sup>18</sup> Controller's Office, "Public Integrity Assessment: Status of City Contracts and Grants With Rudolph Dwayne Jones and Related Entities After Criminal Charges and Suspension," [https://media.api.sf.gov/documents/Public\\_Integrity\\_Assessment\\_-\\_RDJ\\_and\\_Related\\_Entities\\_3.11.25\\_ewwoeJy.pdf](https://media.api.sf.gov/documents/Public_Integrity_Assessment_-_RDJ_and_Related_Entities_3.11.25_ewwoeJy.pdf)

most time-consuming and variable portion of the process, because of the many approvals required:

- Department leadership must negotiate and approve specific agreement terms with the nonprofit that spell out how the work is to be done and when payments are to be made. Interviewees told the Jury that modifications to these terms often occur after the award decision, resulting in lengthy back-and-forth delays before final approval.
- In some departments, policy requires that grant awards be approved by the department's oversight commission. For example, the Homelessness Oversight Commission and Health Commission review grants from HSH and DPH respectively. To the Jury's knowledge, this approval has never been refused, but it adds time and bureaucratic effort to secure this approval.
- The City Attorney's office must also sign off on the contract terms. This may be easier or harder depending on how standardized the terms are and how much negotiation has resulted in modifications.
- For grants of more than \$10 million in size or 10 years' duration, the Board of Supervisors must vote to approve the grant. The \$10 million threshold has not been changed since 1996, though in early 2025, a special-case exception was added to raise it to \$25 million for grants related to the fentanyl emergency. Board of Supervisors review can create varying delays depending on the other business the Board has before it.

The above represents the *simplest* variation of the approval process; several other approvals may also be involved in some cases. For example:

- Contracts that do not qualify for 21G or 21B exemption rules must be approved by the Office of Contract Administration.

- For contracts or grants that have cybersecurity implications, such as grants to organizations that will handle sensitive client health information, the Department of Technology must approve.
- Other city bodies such as the Equal Benefits Program and Local Business Enterprise (LBE) program may also have similar case-specific approval powers.

### How Long Does All This Take?

The Jury attempted to find data on how long each of the above steps takes in the case of social services grants. We found that a lack of centralized record keeping and software tools prevented us from getting that data. Because 21G grants do not go through the Office of Contract Administration (OCA), for example, they do not use citywide standardized business management software to track grants as they move through the process.

For a sample of recent Chapter 21 contracts that *did* go through OCA, city sources provided the Jury with the following rough estimates:

- Advertising of contracts averaged about 22 days.
- Evaluation leading to selection averaged about 12 days.
- Contract approval and execution averaged about 120 days, most of which is taken up by the setup and negotiation process.

These figures do not include pre-advertising reviews such as Civil Service Commission review, and most of the contracts in the sample are not social services related. Nonetheless, they provide a picture consistent with other interviewees' estimates: a five- to six-month process dominated by lengthy setup and negotiations.

## The City Knows It Has a Problem

City officials are aware that their procurement process needs urgent improvement. A recently launched effort within the Office of the City Administrator, centered on the Government Operations (GovOps) team,<sup>19</sup> is working on standardizing and streamlining contract procurement, as well as developing a “Time to Pay” project aimed at resolving lengthy processing times. A recent report<sup>20</sup> from this team focuses on the particularly large overhead problem faced by small dollar contracts. The Jury also found evidence of informal research done within the city government which found that San Francisco is unusually difficult to work with for external entities.

Recently, the influential local watchdog and analysis group SPUR released a more sweeping report<sup>21</sup> entitled “Purchasing Power” on the inefficiency of the city’s procurement process. Selections from that report illustrate the extent of the problem:

- “...given the many rules that apply to contractors, staff spend their time dealing with a never-ending stream of paperwork, which competes with their focus on successful project delivery. According to the City Administrator’s Office, the length of time to process a single contract can range from 8.5 months to more than 1.5 years—with a \$100,000 contract requiring roughly the same level of work as a \$5 million contract.”
- “Over time, local, state, and federal rules have multiplied to influence economic or social objectives and to create fairness and transparency in the procurement process. As a result, more than 100 sections of the San Francisco Administrative Code, Labor and Employment Code, Environment Code, and Campaign and Governmental Conduct Code are dedicated to some aspect of contracting. According to the Office of the City

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<sup>19</sup> Office of the City Administrator, “Gov Ops City Procurement Update,”

[https://media.api.sf.gov/documents/LBEAC\\_Gov\\_Ops\\_presentation\\_6-6-2024.pdf](https://media.api.sf.gov/documents/LBEAC_Gov_Ops_presentation_6-6-2024.pdf)

<sup>20</sup> Office of the City Administrator, “Improving the Process for Chapter 21 Low-value Procurements,”

[https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf)

<sup>21</sup> SPUR, “Purchasing Power,” [https://www.spur.org/sites/default/files/2025-](https://www.spur.org/sites/default/files/2025-04/SPUR_Purchasing_Power_0.pdf)

[04/SPUR\\_Purchasing\\_Power\\_0.pdf](https://www.spur.org/sites/default/files/2025-04/SPUR_Purchasing_Power_0.pdf)

Administrator for the City and County of San Francisco, San Francisco’s municipal codes include the words “contract” and “procurement” more than 8,700 times. In addition to local regulations, contracts must comply with state and federal laws and any specific requirements from funding sources. While these rules are reflections of the city’s values, many have been patched onto the process rather than integrated into it. The result is a maze of requirements that often don’t produce the intended outcomes.”

The Jury’s own research confirms these and other key conclusions of the SPUR report. Based on all this evidence, the Jury urges the Mayor and Board of Supervisors to enact changes that reduce the complexity of the procurement rules in the Administrative Code and eliminate low-value process burdens for social service grants. Specifically:

1. Documentation requirements for nonprofits to qualify for grants should be reviewed. In many cases, it is probably sufficient, and would save scarce time and effort, to simply allow organizations to attest under penalty of perjury that they meet the requirements.
2. Civil Service Commission review of RFPs should never be required for social services. The city has long since made a strategic decision to do extensive outsourcing of social service programs to nonprofits. It thus makes little sense to keep reevaluating, on a case-by-case basis, whether each such program should be outsourced. Fixing this may require revising 21G eligibility rules and/or issuing legal opinions clarifying their scope.
3. Departmental commission review of social services grants is an unnecessary speedbump. While in theory this review is a logical extension of commissions’ oversight responsibilities, in practice the Jury found no evidence that it makes a meaningful difference to the disposition of contracts or to program outcomes.
4. The \$10 million threshold for Board of Supervisors review should be raised, not just for a subset of especially urgent grants, but for all social services grants. Simply indexing

the \$10 million figure to inflation since 1996 would have<sup>22</sup> raised it to nearly \$20 million already.

5. “Shot clocks” that mandate reviews take place within a specified time can be a powerful way to make things go faster. In Ordinance 10-25, the city instituted a 45-day shot clock that applies only to a subset of grants. Again, something like this is likely appropriate for all social services grants, and other portions of the process may also benefit from mandated maximum review times.
6. The city should take a more principled approach to reforming competitive bidding and deciding when sole sourcing authority is appropriate. Right now, a lengthy and costly bidding process is the default, with an increasing number of carve-outs allowing sole sourcing in “emergency” cases where the burden of competitive bidding has become too frustrating to ignore. These carve-outs not only create their own complexity costs but indicate that the city is treating symptoms instead of root causes. The questions of when competitive bidding is truly necessary, and how to make it simpler and quicker, should be analyzed across the board rather than on an ad hoc basis, in order to create clear and efficient rules that city employees and nonprofits can rely on.

Operational changes informed by better timing data can help complement these statutory improvements. For example, the Jury has concluded that frequent months-long negotiation processes after grants are awarded are a red flag for ineffective process. The city should review why these lengthy negotiations happen and what preliminary standardization steps could prevent them from happening. The goal should be to make sure in advance that the terms of an RFP are aligned with the services that nonprofits can practically provide.

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<sup>22</sup> Bureau of Labor Statistics, “CPI Inflation Calculator”,  
[https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm)

## Municipal Employee Training and Automation Also Are Insufficient

The Jury found that the city has a persistent shortage of trained staff with the skills to navigate the entire procurement process. These skills include:

- Gaining proper pre-approvals for solicitation documents, or for sole source waivers when competitive bidding is infeasible.
- Shepherding awarded grants and contracts through the multi-step approval process to ensure that payments can be initiated in a timely manner.
- Monitoring grantee operations once payments are underway.
- Supporting grantee organizations which may be struggling with capacity shortages.

This shortage of trained staff is sometimes worsened by a failure to fund procurement-related personnel at a level which grows with the growth of social services grants and contracts. When these grants increase in both number and dollar value, as they have done in recent years, but the municipal staffing to handle them does not increase accordingly, the procurement process will inevitably become slower and more unpredictable.

The Jury also found that the city is missing opportunities to use automation tools to reduce the use of scarce city employee time in the procurement process. Some departments, for example, are only now beginning to draft RFPs for standardized contract management systems—RFPs which, ironically, must themselves go through the existing inefficient procurement process—and rely on ad hoc accounting and project management tools instead. Citywide efforts to improve procurement efficiency through automation do exist but staffing and resources for these efforts still fall well short of the need. A relatively small up-front investment here would save taxpayers' money down the road.



## Monitoring Is Extensive, but Where's the Timely Action?

Once the city and a nonprofit awardee finally sign a grant agreement, the city must periodically check whether the awardee has followed the agreed terms. This is generally known as *monitoring*. City employees perform two major types of monitoring:

1. **Fiscal and compliance monitoring.** As explained by the [Controller's Office documentation](#),<sup>23</sup> this monitoring aims to ensure that public funds are spent in alignment with the city's financial and administrative standards, and that nonprofits have strong and sustainable fiscal operations. The Controller's Office performs this type of monitoring citywide because the relevant standards apply to all types of grants and contracts.
2. **Programmatic monitoring** checks that the awardee is actually performing the work required and achieving effective results. Since the type of results to be checked varies so much depending on the type of service work to be done, this monitoring is up to individual departments. Recent Controller's Office policy changes described below, however, seek to set minimum standards for programmatic monitoring citywide.

Both types of monitoring typically involve multiple annual audits for nonprofits considered to be in the "monitoring pool." The "monitoring pool" includes nonprofits that receive \$1,000,000 or more from at least one department or receive at least \$200,000 in total from two or more departments if they receive at least \$50,000 from each.

The Jury interviewed numerous city employees, from a number of departments, with a range of experience in the monitoring process. We found significant across-the-board time investment

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<sup>23</sup> Controller's Office, "A Guide for Nonprofits Receiving Fiscal and Compliance Monitoring," <https://www.sf.gov/sites/default/files/2022-06/A%20Guide%20for%20Nonprofits%20Receiving%20Fiscal%20and%20Compliance%20Monitoring.pdf>

in monitoring activities of both types. Furthermore, these activities often succeeded in unearthing substantive problems with effective fiscal and programmatic management.

We did not, however, find evidence that these monitoring activities resulted in meaningful, timely correction or improvement actions. When audits did lead to correction of mismanagement issues, it was typically only in the most extreme cases and took multiple years to have any effect. The case studies cited in the Background section—Baker Places, Providence Foundation, and HomeRise—all exemplify this problem.

Common obstacles to effective follow-up action include:

- Programmatic monitoring has been hamstrung by internal data infrastructure gaps. The Jury did find some evidence that departments are now fixing these gaps. We commend the city for this improvement effort and urge departments to continue to work on citywide tooling improvements.
- Some officials told us that the city relies heavily on public shaming of nonprofits for mismanagement—for example, by putting the nonprofit on a published list of organizations with identified concerns. The theory is that reputational damage from this will create a strong incentive to improve. But the Jury did not find evidence that nonprofits acted quickly in response to this incentive.
- More severe corrective consequences require scarce legal time and effort to implement. For example, debarment of a nonprofit—revoking its qualification to receive contract or grant money from the city—is a measure that the nonprofit has a legal right to appeal; it starts as a suspension of contracting authority that may be challenged by the nonprofit in a hearing before an independent hearing officer. For this and perhaps other reasons, it appears that the City Attorney’s office uses it sparingly.
- Some nonprofits are considered “too big to fail.” Several interviewees told the Jury that city officials sometimes hesitate to impose consequences on nonprofits found to have

management problems, because the city needs those particular nonprofits to keep operating in order for vital social services to function. The Controller's audit report on HomeRise, for example, cites HomeRise's ownership of crucial housing units as a constraint on corrective action.

## Recent City Efforts at Improvement

The persistent mismanagement problems at San Francisco's social services nonprofits, and the extensive press coverage of those problems, have not gone unnoticed by city officials. Several major initiatives in recent years have aimed at reforming various aspects of city procurement generally and social services grantmaking specifically. On the whole, these reforms are positive. However, they do not effectively address the most important underlying issues.

## Conflict of Interest Rule Changes: The 2024 Executive Directive

Numerous corruption controversies over the past decade, such as those involving Mohammed Nuru and Harlan Kelly, have undermined trust in the integrity of San Francisco government and raised suspicions about an epidemic of self-dealing. Many of these cases involved officials steering contracts to favored vendors for personal gain. More recently, the Dream Keepers and Urban Ed Academy controversies brought to light allegations<sup>24</sup> that city officials corruptly steered grants to favored nonprofits.

This has led voters to approve measures such as Proposition D,<sup>25</sup> passed in March 2024, which tighten ethics rules generally for all city officials. It also motivated the Jury to inquire

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<sup>24</sup> See, e.g., <https://www.kqed.org/news/12004687/mayor-breed-taps-new-sf-human-rights-director-as-misspending-scrutiny-intensifies> on Dream Keeper and <https://missionlocal.org/2025/03/sf-agencies-helped-nonprofit-circumvent-bidding-process/> on Urban Ed Academy.

<sup>25</sup> San Francisco Ethics Commission, "Legal Text of Proposition D," <https://sfethics.org/wp-content/uploads/2023/08/Ethics-Measure-Adopted-8.18.2023.pdf>

about the rules and processes which protect specifically against corrupt grantmaking decisions involving social services nonprofits. We found that these rules and processes have recently been strengthened in ways that, on paper, should provide strong safeguards against conflicts of interest. Moreover, in our reviews of procurement records for social services grants, we did not find evidence of systemic corruption.

The Jury interviewed city officials knowledgeable about a recent executive directive<sup>26</sup> from then-Mayor Breed's office which appears to still be in force. The Jury found that:

- The new executive directive provides much clearer and more consistent guidelines on what counts as a conflict of interest. Before 2024, each department had their own conflict of interest policies, typically under the title of "Statements of Incompatible Activities." The new executive directive standardizes these into a citywide policy.
- The new executive directive requires attestations of no conflict from people involved in making grantmaking and contracting decisions—but it's not clear how the accuracy of those attestations is enforced. A recent Budget and Legislative Analyst report<sup>27</sup> emphasizes that without regular compliance review, these attestations are toothless.
- The new rules do not affect the exemption nonprofits enjoy from having to register when they lobby the city. This exemption can only be changed by statute.

The Jury commends the executive directive's standardization and clarification of rules.

However, as we have emphasized throughout this report, the principal root cause of disappointing outcomes from social services grants appears to be capacity problems.

Therefore, while we recognize the importance of improving public trust in process integrity, we caution against implementing this in a way that further worsens process inefficiency. City

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<sup>26</sup> Office of the Mayor, "Executive Directive 24-04," [https://www.sf.gov/sites/default/files/2024-09/Executive%20Directive%2024-04\\_Nonprofit%20Grant%20Administration%20Reform%20\\_0.pdf](https://www.sf.gov/sites/default/files/2024-09/Executive%20Directive%2024-04_Nonprofit%20Grant%20Administration%20Reform%20_0.pdf)

<sup>27</sup> Budget and Legislative Analyst, "Performance Audit of Citywide Management of Conflicts of Interest," <https://newspack-missionlocal.s3.amazonaws.com/mission/wp-content/uploads/2025/03/BLA-Performance-Audit-of-COI.03.24.25.pdf>

officials must be held accountable for making grant decisions with integrity but must also be empowered to make those decisions quickly. Otherwise, the city gets the worst of both worlds: the large majority of honest officials face daily bureaucratic burdens that make it harder for them to do the right thing, and those burdens don't prevent wrongdoing as intended.

## Expanded Monitoring Requirements

In March 2024, the city enacted Ordinance 55-24 directing the Controller's Office to issue new policies and reports guiding the city's monitoring of nonprofit contractors. In December 2024, the Controller's Office responded<sup>28</sup> to the directive with a set of new policies, fiscal monitoring guidelines, reporting, and web-based tools to "enable users to more easily find, access, and understand available information." The cornerstone deliverable is the contract monitoring policy, which "establishes Citywide requirements and guidance for departments in monitoring the performance of contracts with nonprofit service providers." All city departments who contract with nonprofit organizations are bound by this new policy.

The policy is supplemented by an updated [corrective action policy](#),<sup>29</sup> in which the escalation and designation process are clearer, with three well-defined tiers of concern and more specific programmatic criteria for corrective action. The tiers are defined as follows:

1. **Tier 1** is an initial tier designed to flag risk factors before they become persistent. All correction steps associated with Tier 1 are voluntary and no penalties are assessed for a Tier 1 designation.
2. **Tier 2** is designated for entities whose issues have persisted or worsened over time. The exact time period is not specified in the policy. Tier 2 requires a minimal level of

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<sup>28</sup> Controller's Office, "New Policies and Tools Issued by City Controller to Improve Oversight of Nonprofits," <https://www.sf.gov/news-new-policies-and-tools-issued-city-controller-improve-oversight-nonprofits>

<sup>29</sup> Controller's Office, "Citywide Nonprofit Corrective Action Policy," <https://www.sf.gov/file/summary-corrective-action-policy>

mandatory corrective action in the form of monthly coaching meetings but still does not penalize the affected nonprofit.

3. **Tier 3** is reserved for the most serious programmatic issues. These can include widespread and/or ongoing safety issues, failure to deliver basic contracted services over a sustained period of time, fraudulent data or reports, fraudulent invoicing, and failure to comply with critical legal requirements, especially if it occurs over a sustained period. Tier 3 designation can result in penalties up to and including debarment from doing business with the city.

These policy changes, while positive, don't do enough to accelerate appropriate corrective actions. As an example, within the Controller's Office nonprofit tiering system, those placed in Tier 2 are designated as having "serious financial or programmatic issues, which have generally persisted over time (e.g., multiple years) despite department intervention."

Shockingly, the policy also explicitly states that a nonprofit's Tier 2 status *may not be used as a consideration* in scoring solicitations for new funding. Put more plainly, city departments cannot consider a clear track record of underperformance when deciding whether to issue new grants to nonprofits experiencing management problems.

Only when a nonprofit contractor drops into Tier 3 status do city departments gain the right to count their tier against them in scoring solicitations. Notably, the policy explicitly states that Tier 3 status designations are expected to be rare, meaning that withholding of city funds from noncompliant nonprofits is likely to occur rarely, if at all.

More broadly, the new policy does not contain any provision for systematic learning from mismanagement issues and proactive response to prevent future issues. Coaching meetings do become mandatory starting at Tier 2; but there is no mechanism by which the city will attempt to identify and help nonprofits at high risk of falling into one of the higher tiers with large financial consequences. Without any such mechanism, the city will likely continue to

provide ad hoc reactive support in the worst cases after costly problems have already been discovered. This misses an opportunity to secure better value for our social services dollars.

## New Initiatives in 2025

The inefficiency of San Francisco's social services procurement process became politically salient during the 2024 San Francisco mayoral campaign. The new mayor, Daniel Lurie, has proposed initiatives to expedite grant procurement specifically around the fentanyl crisis, along with more general procurement and contracting reforms. As of May 1, 2025, the fentanyl-related measures have been passed as Ordinance 10-25, while the more general reforms remain in the planning stage as part of the mayor's "City Hall Accountability Plan." The Jury notes several important features of these reforms:

- Ordinance 10-25 extends to fentanyl-related nonprofit grants some of the same exemptions available to homelessness grants under Section 21B of the Administrative Code since 2019. But as stated above, the Jury believes that if these exemptions are so important, they should be extended more generally to social services grants and made permanent, given the persistent inefficiency of the "regular" grantmaking process. HSH's voluntarily instituted informal solicitation process, for example, could be a model of faster and lower-effort solicitations for many other types of grants. The Jury recommends that the Board of Supervisors find an easily understood general solution here, rather than complicating the rules with a new special case every time process delay worsens an emergency.
- Ordinance 10-25 raises the threshold for Board of Supervisors review of qualifying grants and contracts to \$25 million and institutes a 45-day "shot clock" for review. Again, the Jury believes reforms like these should be instituted across the board for all social services grants, rather than creating a special case.
- Mayor Lurie proposes, in the "City Hall Accountability Plan," to centralize contract management with a unit of contract experts who can help departments write contracts

in a standard way, and also ensuring prompt payment tied to performance. To work efficiently, this proposal would require significant investment in contract skills training and contract management automation to make good use of city employee time. The Jury found that the city has fallen short in those areas so far.

- The Jury also notes that the “City Hall Accountability Plan” proposes requiring representatives of nonprofits to register as lobbyists if they do more than \$1 million in annual business with the city. This aligns with what we learned about ethics rules that affect public trust in social services nonprofits. Multiple interviewees mentioned the existing lobbying exemption as a potential source of bias in grantmaking decisions.

## What More Can Be Done?

The Jury proposes a set of recommendations that aim to address the management capacity shortage and help prevent the recurring need to clean up after mismanagement problems. Over time, we expect these reforms will more than repay the modest up-front investments of money and personnel required, by substantially improving the “bang for the buck” that the city receives for its social services spending.

In summary, the Jury believes that the city should:

1. **Start up a dedicated team to help social services nonprofits manage themselves better.**

The Jury consistently found that hands-on support from city employees was crucial for mismanaged nonprofits to improve. Making this support systematic and preemptive—dedicating staffing to the task and offering support in advance, rather than waiting for problems to arise—is thus the most important step the city can take to make all its grantees more effective.

2. **Simplify and speed up the grantmaking process.** Creating a clear, consistent, deadline-driven grantmaking process instead of the current messy system that frustrates



everyone will: save taxpayers' money; more promptly serve vulnerable residents; increase taxpayer satisfaction; and bolster nonprofits which provide San Francisco's outsourced services while operating accountably. The permitting process can be a model here: just as more efficient permits let for-profit businesses and builders operate more effectively, more efficient grantmaking can do the same for social services nonprofits.

3. **Improve its own organizational capacity for effective grantmaking.** Even with a simplified process, significant investments in specialized skills and appropriate automation tools will still be necessary to make grantmaking effective.
4. **Reorient monitoring toward proactively addressing mismanagement risks.** Existing monitoring programs mandated by the Controller's Office already provide plenty of information about which nonprofits need help. The city should act on that information faster and more aggressively.

These proposals are elaborated further in [Findings and Recommendations](#).

# Findings and Recommendations

The Jury made the following findings and recommendations relating to the city's process of making grants to social services nonprofits.

## Finding 1 Capacity Building Efforts are Insufficient

San Francisco's capacity building efforts are insufficient to create an ecosystem of well-managed nonprofits with the organizational capacity to use, in total, more than a billion dollars per year of social services funding effectively.

### Recommendations

**Recommendation 1.1** By December 31, 2025, the Mayor should request that the Controller prepare a report on the level of competitiveness in city social services grant procurements and the obstacles to increased competitiveness. The report should be published by June 30, 2026.

**Recommendation 1.2** By March 31, 2026, the Mayor's Office should create a dedicated nonprofit capacity team, either within the City Administrator's office or another office designated by the mayor, to proactively advance nonprofit capacity building.

**Recommendation 1.3** By December 31, 2025, the Mayor's Office should designate a team (either the team from 1.2 or another appropriate team) to implement one or more orientation materials and/or training courses. These materials and/or courses should aim to assist newer and smaller nonprofits in developing the organizational management skills to effectively use city grant funds. The materials and/or courses should be developed by June 30, 2026.

**Recommendation 1.4** The Mayor's Office should further require the team designated in 1.2 to provide proactive support (meaning, reaching out with assistance *before* mismanagement

problems are identified) for nonprofits identified as high-risk, particularly social services nonprofits serving the city's most vulnerable residents.

## Finding 2 Approval Delays Undermine Grant Effectiveness

The lengthy, uncertain, complex process to award and approve grants drives up costs to the city; undermines grantees' operations by requiring that they tolerate long funding delays; and makes it harder for program leads to adapt grants quickly to evolving social needs.

### Recommendations

**Recommendation 2.1** By December 31, 2025, the mayor should request that the Controller prepare a report on the time taken to execute social services grant procurements, including RFP preparation as well as public solicitation, decision making, grant negotiation and approval. The report should be published by June 30, 2026.

**Recommendation 2.2** By June 30, 2026, the City Administrator's office should prepare a guide to San Francisco's procurement process, as it applies to social services grants (and if appropriate, other grants and contracts), giving comprehensive explanations of how the process works that are suitable for both city employees and grantees. The guide should include data-driven estimates of the time each step in the process typically takes.

**Recommendation 2.3** By March 31, 2026, the city should enact an ordinance specifying procurement policy improvements that apply generally to social services grantmaking. The ordinance should address:

- Streamlining processes for nonprofits to qualify to bid for social services grants.
- Clarifying and reducing the number of reviewers required for social services grants and the time within which they must complete reviews.

- Clarifying and generalizing sole sourcing authority for appropriate social services grant procurements and accountability for unbiased sole sourcing decisions.

The improvements should be operative by July 1, 2026.

**Recommendation 2.4** By June 30, 2026, the City Administrator's office, in collaboration with the new nonprofit capacity team from Recommendation 1.2 (or other appropriate personnel) and major social services departments, should implement operational improvements that will enable 90% of social services grants (both by number of grants and dollar value) to go from public solicitation to final approval within 90 days.

**Recommendation 2.5** By June 30, 2026, the City Administrator's office should launch a publicly accessible portal website where applicants for, and awardees of, city social services grants (and if appropriate, other grants and contracts) can see the current status of their applications and awards.

### Finding 3 Skill and Tooling Shortages Impede the Grant Process

City departments responsible for making grants, as well as those responsible for approvals, often do not have enough staff skilled in navigating the grantmaking process, and do not have appropriate software tools to assist them. This worsens grantmaking delays and uncertainties and distorts grantmaking practices.

#### Recommendations

**Recommendation 3.1** By June 30, 2026, the City Administrator's Office should implement an internal education program for city employees whose job requires them to navigate city procurement processes that apply to social services grants (and if appropriate, other grants and contracts). The internal education program should provide clear guidance on the entire end to end procurement process and on the proper use of preapproved standards to expedite

procurements. It should also clarify ethics obligations around making procurement decisions with integrity, including guidance on detecting and reporting biased decisions.

**Recommendation 3.2** By June 1, 2026, the Mayor’s Office should present to the Board of Supervisors a budgeting and staffing plan for ensuring procurement efficiency as it applies to social services grants (and if appropriate, other grants and contracts). The plan should identify appropriate funding sources to scale reviewer staffing with demand and address known succession and retention issues for procurement staff.

**Recommendation 3.3** By June 30, 2026, the City Administrator’s office should make a plan in partnership with the Department of Technology for developing or procuring automation tooling to expedite the procurement process for social services grants (and if appropriate, other grants and contracts) citywide.

## Finding 4 Monitoring Doesn’t Lead to Timely Corrective Action

The city’s monitoring and audit processes often take multiple years to correct even serious cases of nonprofit mismanagement, undermining public trust and government efficiency.

### Recommendations

**Recommendation 4.1** By December 31, 2025, the Board of Supervisors should direct the Budget and Legislative Analyst to prepare a report on the time elapsed from when the Nonprofit Monitoring Program identifies management problems to when the problems are corrected. The report should be published by June 30, 2026.

**Recommendation 4.2** By June 30, 2026, the Controller’s Office should adjust its policies on monitoring consequences to allow city departments to take “Tier 2” nonprofit status into account when deciding whether to award new grants or contracts to nonprofits that have been placed in that status tier.

**Recommendation 4.3** By June 30, 2026, the Controller’s Office should produce a new risk scoring methodology that enables city departments to proactively assess when a nonprofit grant or contract is at high risk of costly mismanagement. The risk scoring should take into account factors such as:

- The size of the grant or contract and thus potential cost of mismanagement.
- The level of competitiveness found in the bidding process.
- Aspects of the service provider and/or the contract that would make it unusually difficult to switch providers in the event of mismanagement, such as ownership of illiquid assets.
- Risky gaps in the nonprofit’s existing management skillset and structure.
- Concerning recent changes to that skillset and structure, such as leadership departures.

**Recommendation 4.4** By June 30, 2026, the Controller’s Office should begin annually collecting risk scores from city departments for nonprofit grants and contracts they have issued. Nonprofits which score above a predefined threshold should be required to accept intervention from the new nonprofit capacity team from Recommendation 1.2, or another appropriate team designated by the Controller. This mentorship should, in the highest-value cases, include formal ongoing support provided by city employees to the management operations of affected nonprofits; it should not be limited to monthly meetings.

# Required and Requested Responses

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Pursuant to California Penal Code §933, the Jury requires responses to the findings and recommendations shown in *Table 2* within 60 calendar days (for the Mayor's Office) or 90 calendar days (for the Board of Supervisors).

**Table 2: Required responses**

Respondent	Findings	Recommendations
Mayor's Office	F1, F2, F3, F4	R1.1, R1.2, R1.3, R1.4, R2.1, R2.2, R2.3, R2.4, R2.5, R3.1, R3.2, R3.3, R4.2, R4.3, R4.4
Board of Supervisors	F2, F3, F4	R2.3, R3.2, R4.1

The Jury requests responses to the findings and recommendations shown in *Table 3* within 60 calendar days.

**Table 3: Requested responses**

Respondent	Findings	Recommendations
City Administrator's Office	F2, F3	R2.2, R2.3, R2.4, R2.5, R3.1, R3.3
Controller's Office	F4	R4.1, R4.2, R4.3, R4.4

# Methodology

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To prepare this report, the Jury conducted personal interviews, reviewed reports and data from city offices, and consulted relevant legal statutes.

The Jury interviewed 28 people, including:

- Officials and employees, current and former, connected with the city's social services departments.
- City officials and employees connected with offices involved with social services grant procurement, as well as city procurement generally.
- Representatives of social services nonprofits which receive grants from the city.

The Jury reviewed and analyzed:

- Spending figures published by the Controller's Office via DataSF and OpenBook.
- Audit reports from the Controller, the Budget and Legislative Analyst, and other city oversight agencies.
- Records of specific procurements leading to grants to social services nonprofits.
- Documents and presentations prepared by city agencies describing various aspects of the procurement process.
- Reports from external organizations such as SPUR.
- News articles reporting on the problems with the city's grants to nonprofits.



# Glossary

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<b>CBO</b>	Community Based Organization
<b>CSC</b>	Civil Service Commission
<b>DCYF</b>	Department of Children, Youth, and Their Families
<b>DEC</b>	Department of Early Childhood
<b>DPH</b>	Department of Public Health
<b>HHS</b>	Department of Health and Human Services
<b>HOC</b>	Homelessness Oversight Commission
<b>HSA</b>	Human Services Agency
<b>HSR</b>	Department of Homelessness and Supportive Housing
<b>HUD</b>	Department of Housing and Urban Development
<b>MOU</b>	Memorandum of Understanding
<b>OCA</b>	Office of Contract Administration
<b>PSC</b>	Personal Services Contract
<b>RFP</b>	Request for Proposal
<b>SEIU</b>	Service Employees International Union
<b>SPUR</b>	San Francisco Bay Area Planning and Urban Research Association

# Appendix A: Details on Nonprofit Examples

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## Baker Places<sup>30</sup>

Baker Places, Inc. (Baker) provides housing and treatment services largely for unhoused persons with behavioral health and substance use challenges. Its recurrent financial mismanagement undermined the delivery of mental health and substance abuse care to some of the city's most vulnerable residents. According to a January 2025 Budget and Legislative Analyst report<sup>31</sup> to the Board of Supervisors, two properties that otherwise met their performance objectives were closed and two other properties were transferred because Baker was unable to meet its financial obligations.

According to a 2024 letter<sup>32</sup> from Baker's management, in 14 of the 18 years between 2005 and 2022, Baker experienced losses with an average of \$482,000 annually. These losses led to cash advances by the city, resulting in a \$7.67 million debt to the city accumulating as of April 2024.

The city's monitoring programs raised concerns over several years about Baker's pattern of poor financial management. For example, the city found significant deficiencies in the following: maintenance of proper payroll documentation in 2020, 2021 and 2022; cash management in 2020 and 2021; and separation of duties in 2020, 2021 and 2022. In 2022, the

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<sup>30</sup> See the Background section on page 6 for a brief summary of how these examples motivate our report.

<sup>31</sup> Budget and Legislative Analyst's Office, "Policy Analysis Report," [https://sfbos.org/sites/default/files/Policy\\_Analysis.GF\\_Vacancies.Contract\\_Oversight.Dept\\_Restructures.Final\\_.01.13.25.pdf](https://sfbos.org/sites/default/files/Policy_Analysis.GF_Vacancies.Contract_Oversight.Dept_Restructures.Final_.01.13.25.pdf)

<sup>32</sup> Baker Places, "Debt Repayment Agreement and Purchase and Sale Agreement," <https://www.sf.gov/sites/default/files/2024-03/Baker%20BoS%20Debt%20Repayment%20Ltr%2003.15.24%20Final.cleaned.pdf>

city placed Baker in “red flag status” which indicated imminent risk of being unable to perform the services identified in the contract. All of these are cataloged in the Controller’s FY 2021-2022 Annual Audit Report.<sup>33</sup>

In April 2024, the city reached a repayment agreement<sup>34</sup> with Baker to repay the \$7.67 million. As part of the agreement, Baker agreed to transfer ownership of a residential care facility to the city for \$3 million of credit toward its debt and repay the remaining \$4.7 million over 23 years at 1.12% interest. As of 2024, Baker was on “Elevated Concern” status; that is, Baker could continue to do business with the city while working to improve its financial management.

## Providence Foundation

The Providence Foundation, founded in 1996, received almost \$100 million between 2015 and 2024 for emergency shelters and essential case management for the city’s most vulnerable populations, particularly in the Fillmore and Hunters Point neighborhoods. In 2021, Providence received a city grant to operate and maintain the Oasis Motel, a shelter serving nearly 60 unhoused families. In 2022, Providence submitted invoices and received payment of \$105,000 for painting the exterior of the building and removing deadbolts. Yet, the City Attorney’s office alleged that physical condition of the building and photographic evidence showed that no work had been performed.

In May 2024, the City Attorney accused<sup>35</sup> Providence of committing willful misconduct related to the grant and initiated a debarment proceeding and suspended Providence from seeking or

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<sup>33</sup> Controller’s Office, “Citywide Nonprofit Monitoring and Capacity Building Program: Fiscal Year 2021-2022 Annual Report,” <https://www.sf.gov/file/citywide-nonprofit-monitoring-and-capacity-building-program-fy22-annual-report>

<sup>34</sup> Health Commission, “Baker Places, Inc. Financial Status Update and Repayment and Purchase Agreements,” [https://media.api.sf.gov/documents/Baker\\_Places\\_Financial\\_Status\\_Update\\_HC\\_3.19.24.cleaned.pdf](https://media.api.sf.gov/documents/Baker_Places_Financial_Status_Update_HC_3.19.24.cleaned.pdf)

<sup>35</sup> City Attorney, “Counts and Allegations Seeking Debarment and Order of Suspension,” <https://www.sfcityattorney.org/wp-content/uploads/2024/05/2024.05.06-Counts-and-Allegations-Seeking-Debarment-and-Order-of-Suspension.pdf>

receiving any new city contracts or grants, pending resolution of the debarment proceeding. In the charging document, the City Attorney alleged that Providence submitted fraudulent invoices of more than \$100,000. In addition, in the charging document, the City Attorney alleged that a number of corrective action letters sent in 2023 by the Department of Homelessness and Supportive Housing had flagged Providence for a series of fiscal mismanagement and noncompliance issues, including, among others, nepotism, spending in excess of budgeted amounts on city contracts, and failure to meet occupancy goals. Further, the charging document noted that, throughout the period of the allegedly fraudulent invoices, Providence had no Chief Financial Officer, Controller, or in-house financial department.

## HomeRise

Community Housing Partnership, doing business as HomeRise, is a nonprofit organization that develops and manages supportive housing for unhoused individuals, including seniors and families. The organization's stated mission is to help the unhoused rise up, rebuild their lives, and break the cycle of homelessness. To accomplish this goal, HomeRise manages over 1500 dwelling units across 19 properties. At these properties, HomeRise provides maintenance, janitorial and front desk services as well as case management and psychiatric and medical services. The organization has an annual budget of approximately \$34 million.

In the late 2010s and early 2020s, the city became aware of significant concerns about HomeRise's management and financial operations—but did not take corrective action. By 2022, the issues had grown severe enough that the Department of Homelessness and Supportive Housing, along with the Mayor's Office of Housing and Community Development, asked the Controller to audit HomeRise. The [final audit report](https://www.sf.gov/sites/default/files/2024-04/HSR-MOHCD%20HomeRise%20Audit%20Report%2004.02.24.pdf)<sup>36</sup> was released in April 2024.

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<sup>36</sup> Department of Homelessness and Supportive Housing, "Community Housing Partnership, d/b/a HomeRise, Mismanaged Financial Activities and Misused City Funds Related to City Agreements for Its Properties and Supportive Housing Efforts," <https://www.sf.gov/sites/default/files/2024-04/HSR-MOHCD%20HomeRise%20Audit%20Report%2004.02.24.pdf>

The audit found gross fiscal non-compliance and wasteful practices that misused taxpayer funds and city expenditures on unallowable or questionable expenses. For example, the audit found that HomeRise:

- Improperly transferred \$2 million from a restricted account without approval and borrowed another \$2.5 million from a property's operating account to help cover corporate payrolls;
- Gave staff bonuses of more than \$200,000 that were unplanned and unbudgeted;
- Experienced annual vacancy rates of 14.6 percent in January 2023; and
- Maintained unreliable financial records missing supporting detail, which could be altered without sufficient oversight.

These practices have led to serious cash flow problems negatively impacting the formerly unhoused whom the organization is meant to serve. HomeRise operates nearly one-third of city-funded units that serve the formerly unhoused. The audit noted that because of HomeRise's ownership of these essential housing units, redirecting the grant funds that HomeRise used to maintain the units was not a feasible option, despite the organization's repeated mismanagement of those funds. In short, HomeRise was too big to fail.

In the spring of 2023, HomeRise hired a new executive who committed to developing new protocols to improve its business practices and fiscal compliance, and to address the problem areas identified in the audit. The Jury found in its investigation that city officials have provided significant informal management support to assist the new HomeRise leadership, given the importance of turning the organization around.