

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. (415) 554-5184
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TDD/TTY No. (415) 554-5227

MEMORANDUM

TO: Ben Rosenfield, Controller, Office of the Controller

FROM: Victor Young, Assistant Clerk

A handwritten signature in black ink that reads "Victor Young".

DATE: October 12, 2023

SUBJECT: LEGISLATION INTRODUCED

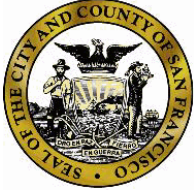
The Board of Supervisors' Rules Committee received the following proposed legislation:

File No. 230973

Ordinance amending the Administrative Code to clarify the Controller's audit and monitoring responsibilities with respect to nonprofit organizations contracting with the City; directing the Controller to establish measurable performance goals for contracts with nonprofit organizations; directing the Controller to periodically review and, as necessary, revise policies regarding contractors' compliance with City requirements; and requiring the Controller to perform an annual review of departments' compliance with policies for auditing and monitoring nonprofit organizations.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: victor.young@sfgov.org.

cc: Todd Rydstrom, Office of the Controller
Mark Dela Rosa, Office of the Controller



City and County of San Francisco

Master Report

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 230973	File Type: Resolution	Status: 30 Day Rule
Enacted:		Effective:
Version: 1	In Control: Rules Committee	
File Name: Administrative Code - Monitoring of Nonprofits that Contract with the City		Date Introduced: 09/12/2023
Requester:	Cost:	Final Action:
Comment:	Title: Ordinance amending the Administrative Code to clarify the Controller’s audit and monitoring responsibilities with respect to nonprofit organizations contracting with the City; directing the Controller to establish measurable performance goals for contracts with nonprofit organizations; directing the Controller to periodically review and, as necessary, revise policies regarding contractors’ compliance with City requirements; and requiring the Controller to perform an annual review of departments’ compliance with policies for auditing and monitoring nonprofit organizations.	
Sponsor: Stefani		

History of Legislative File 230973

Ver	Acting Body	Date	Action	Sent To	Due Date	Result
1	President	09/12/2023	ASSIGNED UNDER 30 DAY RULE	Rules Committee	10/12/2023	

[Administrative Code - Monitoring of Nonprofits that Contract with the City]

Ordinance amending the Administrative Code to clarify the Controller's audit and monitoring responsibilities with respect to nonprofit organizations contracting with the City; directing the Controller to establish measurable performance goals for contracts with nonprofit organizations; directing the Controller to periodically review and, as necessary, revise policies regarding contractors' compliance with City requirements; and requiring the Controller to perform an annual review of departments' compliance with policies for auditing and monitoring nonprofit organizations.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in single-underline italics Times New Roman font.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Background and Findings.

(a) Nonprofit organizations currently deliver approximately \$1.4 billion in essential services on behalf of the City and County of San Francisco. The City currently relies on more than 600 nonprofits that contract with various City departments to deliver a variety of services, including, but not limited to, health services, early education services, family support services, and homelessness and housing services.

(b) City departments contracting with nonprofits are responsible for monitoring the delivery and quality of services under the terms of the contract. While most nonprofits deliver

1 high-quality services in alignment with contracted expectations, there are some nonprofits that
2 are not performing adequately.

3 (c) There is a need to enhance oversight of nonprofits providing services on behalf of
4 the City to ensure the City is receiving high quality results from nonprofit contractors.

5 (d) There is currently a lack of clarity among some nonprofits and City departments
6 regarding appropriate escalation processes and tools for underperforming nonprofits. Further,
7 many nonprofit service providers have reported that it is difficult to do business with the City
8 due to burdensome compliance and reporting requirements. Such requirements have the
9 potential to discourage nonprofits from seeking contracts with the City or to even abandon
10 existing contracts.

11 (e) The City has an obligation to manage and monitor nonprofit contractors'
12 compliance and performance, to adopt policies and practices that support these nonprofit
13 organizations in their performance under City contracts, and to ensure the City meets its
14 contractual obligations for timely payment, contract processing, and adequate flexibility to
15 enable nonprofits to perform their work.

16 (f) The City has taken steps to standardize and coordinate fiscal and compliance
17 monitoring practices across departments that contract with nonprofits to ensure consistent
18 oversight of essential services. But the City does not currently have a standardized or
19 coordinated programmatic and performance monitoring policy.

20 (g) The Controller's efforts to standardize and coordinate the City's business practices
21 with nonprofits have been and will continue to be informed by community involvement and a
22 racial equity lens.

23 (h) To address these issues, this ordinance adds Administrative Code Section 10.6-1,
24 which requires the Controller to establish standards for measurable performance goals for
25 contracts with nonprofit organizations, create a standardized Citywide programmatic and

1 performance monitoring policy, and perform an annual review of departments' compliance
2 with the program. This ordinance also requires that departments contracting with nonprofits
3 adhere to the standards established by the Controller when entering into and managing their
4 agreements.

5
6 Section 2. Article I of Chapter 10 of the Administrative Code is hereby amended by
7 revising Section 10.6 and adding Section 10.6-1, to read as follows:

8 **SEC. 10.6. AUDITS AND INVESTIGATIONS BY CONTROLLER – TO BE**
9 **PERFORMED AS REQUIRED BY CHARTER.**

10 The Controller shall audit the accounts, operations, and activities of all boards,
11 commissions, offices officers, and employees departments of the City and County; charged in any
12 manner with the custody, collection, or disbursement of funds, as provided by Section ~~3.303~~
13 3.105 of the Charter. ~~He or she~~ The Controller shall monitor the level and effectiveness of services
14 rendered ~~investigate the unit cost of all work done~~ by the City and County as provided in ~~Section~~
15 ~~3.301~~ of the Charter and shall also make all investigations and reports provided for ~~in Chapter 6~~
16 ~~of this Code by ordinance.~~

17
18 **SEC. 10.6-1. MONITORING OF NONPROFITS CONTRACTING WITH THE CITY.**

19 (a) By September 1, 2024, the Controller shall adopt Citywide standards that departments must
20 comply with when contracting with nonprofit organizations. The standards shall include requirements
21 for establishing the measurable objectives to be included in contracts with nonprofits; regular financial
22 and performance reporting requirements applicable to nonprofits; standard reporting timeframes and
23 expected elements for ongoing departmental monitoring of nonprofits; a process departments must
24 follow when entering into and managing their contracts with nonprofits and reporting monitoring
25 results to the Controller; and recommendations for departments with the goal of making it easier for

1 nonprofits to do business with the City. The Controller shall have discretion to revise these standards
2 as the Controller deems necessary to achieve the goals of standardizing and ensuring adequate
3 Citywide programmatic and performance monitoring of nonprofit organizations and clarifying
4 departments' obligation to appropriately monitor their contracts with nonprofits.

5 (b) The Controller shall be responsible for administering a Citywide nonprofit contractor
6 corrective action policy to ensure compliance with City funding requirements, accountability, and
7 reliable service delivery. By September 1, 2024, the Controller shall conduct a review of current
8 standards for corrective action and issue a Citywide policy that establishes clear procedures for
9 identifying areas of concern or poor performance by nonprofit contractors. The policy may include,
10 among other things, specific procedures for identifying nonprofit contractors in need of technical
11 assistance, multi-departmental coordination, and/or escalation protocols including but not limited to
12 audits of nonprofit performance or financial practices.

13 (c) By September 1, 2024, the Controller shall complete a review of the publicly available
14 information the City has about its nonprofit contracted services, including spending, performance, and
15 types of services provided. At the conclusion of the review, the Controller shall issue a report to the
16 Mayor and the Board of Supervisors recommending any policy changes that the Controller concludes
17 would improve public access to this information in the future. Concurrent with the September 1, 2024
18 report, the Controller shall publish a directory webpage documenting where and how to access existing
19 public information about nonprofit contracted services. The Controller shall maintain and update this
20 directory webpage as additional public information is made transparent through the recommendations
21 in the report, including information gathered by the Controller through the annual review required in
22 subsection (d) below.

23 (d) Each fiscal year, beginning with Fiscal Year 2025-2026, the Controller shall conduct a
24 review of department compliance with the Controller's established performance standards and shall
25 submit a report summarizing the review to the Mayor and the Board of Supervisors. The Controller

1 may limit the annual review to specific departments, service areas, or contracts as the Controller
2 deems appropriate to achieve the goal of ensuring adequate Citywide programmatic and performance
3 monitoring of nonprofit organizations.

4 (e) Starting with Fiscal Year 2023-2024, nonprofit organizations that receive a total of at least
5 \$750,000 in funding from the City in any fiscal year must submit to the City an audited balance sheet
6 and the related statement of income and cash flows for that fiscal year, certified by an independent
7 accounting firm as accurately presenting the financial position of the organization. The Controller
8 shall establish procedures and deadlines for submission of such audit materials to the City and
9 distribution of such audit materials to City departments. This subsection (e) does not limit the authority
10 of the City, through the Controller or any other part of City government, as otherwise authorized by
11 law, to conduct a fiscal review or require alternate documents demonstrating sound financial controls
12 in the absence of an audit, including for nonprofit organizations receiving less than a total of \$750,000
13 from the City within a fiscal year.

14
15 Section 3. Effective Date. This ordinance shall become effective 30 days after
16 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
17 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
18 of Supervisors overrides the Mayor's veto of the ordinance.

19
20 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
21 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
22 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
23 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
24 additions, and Board amendment deletions in accordance with the "Note" that appears under
25 the official title of the ordinance.

1
2 APPROVED AS TO FORM:
3 DAVID CHIU, City Attorney

4 By: /s/ Kate G. Kimberlin
5 KATE G. KIMBERLIN
6 Deputy City Attorney

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LEGISLATIVE DIGEST

[Administrative Code - Monitoring of Nonprofits That Contract With the City]

Ordinance amending the Administrative Code to clarify the Controller's audit and monitoring responsibilities with respect to nonprofit organizations contracting with the City; directing the Controller to establish measurable performance goals for contracts with nonprofit organizations; directing the Controller to periodically review and, as necessary, revise policies regarding contractors' compliance with City requirements; and requiring the Controller to perform an annual review of departments' compliance with policies for auditing and monitoring nonprofit organizations.

Existing Law

Administrative Code Section 10.6 currently requires the Controller to audit certain contracts to ensure proper disbursement of funds.

Amendments to Current Law

The ordinance revises Administrative Code Section 10.6 to clarify that the Controller's auditing responsibilities extend to operations, activities, and effectiveness of services rendered by third-parties contracting with the City. The ordinance also adds a new section 10.6-1 that requires the Controller establish and adopt Citywide standards for departments to follow when contracting with nonprofit organizations. New section 10.6-1 also requires the Controller to administer a new corrective action policy for underperforming nonprofits and to review and, if necessary, improve public access to information about nonprofit contracted services.

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Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- ☒ 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- ☐ 2. Request for next printed agenda Without Reference to Committee.
- ☐ 3. Request for hearing on a subject matter at Committee.
- ☐ 4. Request for letter beginning : "Supervisor inquiries"
- ☐ 5. City Attorney Request.
- ☐ 6. Call File No. from Committee.
- ☐ 7. Budget Analyst request (attached written motion).
- ☐ 8. Substitute Legislation File No.
- ☐ 9. Reactivate File No.
- ☐ 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- ☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission
- ☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Subject:

The text is listed:

Ordinance amending the Administrative Code to clarify the Controller's audit and monitoring responsibilities with respect to nonprofit organizations contracting with the City; directing the Controller to establish measurable performance goals for contracts with nonprofit organizations; directing the Controller to periodically review and, as necessary, revise policies regarding contractors' compliance with City requirements; and requiring the Controller to perform an annual review of departments' compliance with policies for auditing and monitoring nonprofit organizations.

Signature of Sponsoring Supervisor:

For Clerk's Use Only

From: [Donovan, Dominica \(BOS\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Stefani, Catherine \(BOS\)](#); [KIMBERLIN, KATE \(CAT\)](#)
Subject: D2 Introductions
Date: Tuesday, September 12, 2023 1:28:26 PM
Attachments: [Nonprofit Monitoring ORD \(final\).docx](#)
[Nonprofit Monitoring LEG DIGEST \(final\).DOCX](#)
[SCS - Introduction Form - Nonprofit Monitoring.pdf](#)

Hello,

Please see the attached ordinance for introduction from Supervisor Stefani.

Please let me know if you need anything else.

Dominica Donovan | Chief of Staff
Office of Supervisor Catherine Stefani
San Francisco Board of Supervisors, District 2
City Hall, Room 273
(415) 554-7752

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From: [Kimberlin, Kate \(CAT\)](#)
To: [BOS Legislation, \(BOS\)](#); [Donovan, Dominica \(BOS\)](#)
Cc: [Stefani, Catherine \(BOS\)](#)
Subject: Re: D2 Introductions
Date: Tuesday, September 12, 2023 2:22:46 PM

Approved.

From: BOS Legislation, (BOS) <bos.legislation@sfgov.org>
Sent: Tuesday, September 12, 2023 1:30:38 PM
To: Donovan, Dominica (BOS) <dominica.donovan@sfgov.org>; BOS Legislation, (BOS) <bos.legislation@sfgov.org>
Cc: Stefani, Catherine (BOS) <catherine.stefani@sfgov.org>; Kimberlin, Kate (CAT) <Kate.Kimberlin@sfcityatty.org>
Subject: RE: D2 Introductions

Thank you Dominica. We are seeking the approval of DCA Kate Kimberlin for use of her electronic signature for the attached Ordinance, by reply to this email.

Best regards,

Jocelyn Wong

Legislative Clerk

San Francisco Board of Supervisors

1 Dr. Carlton B. Goodlett Place, Room 244

San Francisco, CA 94102

T: 415.554.7702 | F: 415.554.5163

jocelyn.wong@sfgov.org | www.sfbos.org

(VIRTUAL APPOINTMENTS) To schedule a “virtual” meeting with me (on Microsoft Teams), please ask and I can answer your questions in real time.

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**From:** Donovan, Dominica (BOS) <dominica.donovan@sfgov.org>  
**Sent:** Tuesday, September 12, 2023 1:28 PM  
**To:** BOS Legislation, (BOS) <bos.legislation@sfgov.org>  
**Cc:** Stefani, Catherine (BOS) <catherine.stefani@sfgov.org>; KIMBERLIN, KATE (CAT) <Kate.Kimberlin@sfcityatty.org>  
**Subject:** D2 Introductions

Hello,

Please see the attached ordinance for introduction from Supervisor Stefani.

Please let me know if you need anything else.

**Dominica Donovan** | Chief of Staff  
Office of Supervisor Catherine Stefani  
San Francisco Board of Supervisors, District 2  
City Hall, Room 273  
(415) 554-7752

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