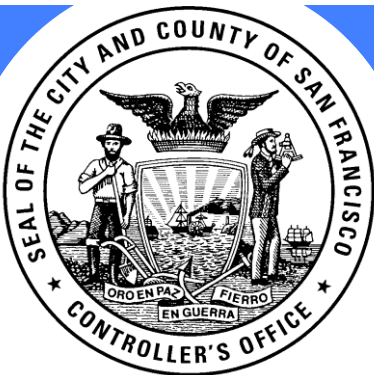


Monitoring of Nonprofits that Contract with the City

Rules Committee – November 27, 2023
File #230973



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
City Performance Unit

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Background and Rationale

- The City funds **\$1.7 billion** in services delivered by 600+ nonprofit providers annually.
- City departments are responsible for **monitoring the delivery and quality of contracted services**.
 - The City has standardized and coordinated fiscal and compliance monitoring practices but **does not currently have standardized or coordinated programmatic and performance monitoring**.
- Many nonprofits deliver **high quality services**; yet there are some that are not performing adequately, and there is a lack of clarity among nonprofits and City departments regarding **appropriate escalation processes** and tools for underperforming nonprofits.
- There is a need to enhance oversight of nonprofits to ensure the City is receiving high quality results from nonprofit contractors.

Overview of the Ordinance: **Monitoring Policy**

The ordinance directs the Controller's Office to:

- Establish standards for how departments should **establish measurable performance objectives** within contracts with nonprofit organizations.
- Establish standards for how departments should carry out **consistent and regular monitoring** of contract performance, including:
 - Expected elements for regular monitoring (e.g., site visits).
 - Requirements for regular **reporting** processes and timeframes.
 - Considerations regarding ongoing oversight, including regular **engagement and communication** with contractors.

Current State

Most contracts include performance measures, and most departments have **standard practices** for contract monitoring.

Practices for establishing measures and conducting monitoring **vary both within and across departments**.

Many departments **focus on compliance**, with less attention on performance due to pressures from external funders and limited staff capacity.

Overview of the Ordinance: **Corrective Action**

The ordinance directs the Controller's Office to:

- Update the existing **Citywide Corrective Action Policy** to:
 - Establish clear procedures for identifying issues of poor performance.
 - Institute multi-departmental **coordination** and/or **escalation** protocols.
 - Ensure connections to **technical assistance** are available.

Current State

The existing Citywide Corrective Action Policy has primarily been used to address **financial** concerns with nonprofit contractors.

There is a strong **link between programmatic poor performance and financial concerns**.

Over 50% of nonprofits receive funding from 2 or more departments, which speaks to a need for **coordination**.

Currently, there are **no central technical assistance resources** focusing on programmatic performance.

Overview of the Ordinance: Transparency

The ordinance directs the Controller's Office to:

- Conduct a review of **publicly available information** about nonprofit contracted services including spending, performance, and types of services provided.
 - Issue a **report to the Mayor and Board** recommending policy changes to improve public access to this information.
 - Develop a **directory webpage** documenting where and how to access existing public information.
- Following implementation of program monitoring policies, perform an **annual review of departments' compliance** with the program.

Current State

SF Open Data shares robust information about contracted services but this **information can be confusing** to the general public and does not tell a clear story about the results of \$1.7 billion in contracts.

Recent legislation **mandates new compliance reporting for nonprofits** and City Administrator is developing procedures for making that information publicly available now.

The Controller's Office issues an annual report of nonprofit fiscal monitoring results, but the **scale and breadth of contracts** means reporting about program monitoring may be limited.

Overview of the Ordinance: Audits

The ordinance directs the Controller's Office to:

- Develop policies and procedures to ensure that nonprofit organizations receiving at least \$750,000 in funding from the City **submit audited financial statements**.

Current State

City departments gather and review CPA audits as part of fiscal monitoring.

- The State requires any nonprofit with **\$2 million** in annual revenues to conduct a CPA audit.
- The Federal government requires any recipient of at least \$750,000 in Federal funds to participate in the **"single audit."**
- By internal policy, **some departments require CPA audits** of nonprofit contractors at lower thresholds, e.g., \$500,000 in department funding.

Of 600+ nonprofits, approximately **80** received between \$750,00 and \$2 million last fiscal year and may be subject to this change (though a portion likely already conduct a CPA audit).

Implementation Plan

In anticipation of the ordinance, the Controller's Office launched background research and policy development, in coordination with a policy group of departmental and nonprofit leadership.

By **September 1, 2024**, the Controller's Office will:

1. Develop and distribute a **new policy** setting standards for contract performance monitoring.
2. Update and distribute existing **Citywide Corrective Action Policy** to outline escalation paths for underperforming contracts and nonprofits.
3. Publish a report and webpage outlining currently available **public information about nonprofit services**, including spending, performance, and types of services provided.
4. Develop a **program implementation plan** to ensure adoption of the policy and outline the roles and duties of the Controller's Office in ongoing oversight of the process.

Thank you.

Any questions?