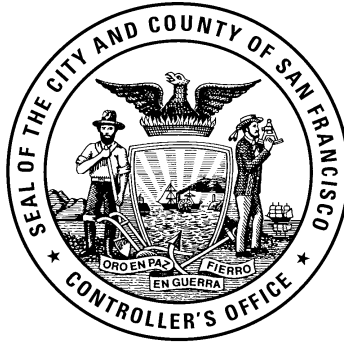


# City and County of San Francisco



# Citywide Fiscal & Compliance Nonprofit Monitoring Guidelines

August 2011



## FY 2011-12 Updates to the Guidelines and Monitoring Standards

### Origins

In January 2009, Mayor Newsom invited Dr. Sandra Hernandez, CEO of the San Francisco Foundation and City Attorney Dennis Herrera to co-chair the Community-Based Organizations (CBO) Task Force to determine how the City can be strategic in its working relationships with local nonprofits.

In their final report, *Partnering with Nonprofits in Tough Times* (April 2009), the task force recommended several action steps to encourage nonprofit sustainability and ensure continued service to the City's most underserved populations. To that end, several pilot measures proposed in FY 2008-09 – a minimum of 15% funding from non-City sources; maintenance of financial reserves; and, inclusion of a business continuity plan in an agency's disaster plan – were adopted as monitoring standards in FY 2009-10.

The following pilot measures for FY 2010-11 further implement specific recommendations of the CBO Task Force.

### Pilot Measures

1. Implement the City's standardized corrective action policies, including elevated concern and red flag status for nonprofit contractors when appropriate. Changes to the *Lead Department Responsibilities* section of the Monitoring Guidelines reflect the implementation of the corrective action policies.

2. Ensure that organizations have a functioning governing body in place that supports organizational sustainability.

- Monitors will review the Board of Directors Minutes (Box 2A) to ensure that the Board of Directors conducted the Executive Director performance review within the past year and that the Board of Directors reviewed the organization's bylaws within the past two years for effectiveness and adherence to legal requirements.
- Monitors will review the Board of Directors Work Plan/Handbook or similar documentation (Box 2E) to ensure that the Work Plan is current; lists meeting dates for current fiscal or calendar year; schedules regular review of financial documents and program goals; schedules Executive Director performance review; and, proposes a Board of Directors fundraising plan for the current year.
- Monitors will review the Board of Directors Bylaws or similar documents (Box 2F) for job descriptions of Board leader positions (e.g. President, Vice President, Treasurer, Secretary); for a written policy as to how Board leaders are selected; and, for a definition of Board of Directors term limits, quorum, committee structures, and voting/decision-making process.

### Contractor Follow-Up

Inability to meet the standards set out by these newly adopted measures will result in a Monitoring Report Letter finding. Contractors will be required to respond to these findings in their Response Letters. By documenting these findings, monitors enable contractors to obtain capacity building technical assistance from the City in these areas of weakness.



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## I. BACKGROUND

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**Origins** Citywide fiscal and compliance monitoring of nonprofit contracts was first piloted in FY05-06 by the Department of Children, Youth, and Families; Department of Public Health; and the Human Services Agency, facilitated by the Controller's Office, City Services Auditor Division. This effort represents part of the City's response to the 2003 report of the Nonprofit Contracting Task Force: ([http://www.sfgov.org/site/npcontractingtft\\_index.asp](http://www.sfgov.org/site/npcontractingtft_index.asp))

**Participants** In FY 11-12, eight City departments that fund nonprofits to deliver health and human services are undertaking citywide fiscal and compliance monitoring:

- Children and Families Commission (CFC)
- Department of Children, Youth & Families (DCYF)
- Department on the Status of Women (DOSW)
- Department of Public Health (DPH)
- Human Services Agency (HSA)
- Office of Economic and Workforce Development (OEWD)
- Mayor's Office of Housing
- Sheriff

Nonprofit contractors funded to provide health or human services by at least two of the above departments experience one standard fiscal and compliance monitoring per year, either as a site visit or a self assessment.

**Goals** The goals of citywide nonprofit fiscal and compliance monitoring are to:

- Improve the quality and consistency of the City's fiscal and compliance monitoring of nonprofits by standardizing procedures across departments
- Decrease the administrative burden and eliminate duplication of efforts for both contractors and City departments
- Implement City Nonprofit Contracting Task Force recommendations related to streamlining monitoring procedures
- Draw on Community-Based Organizations Task Force (2009) action steps to promote nonprofit sustainability

Citywide fiscal and compliance monitoring aims to identify issues in time to affect the City's annual budget cycle and the departments' contract renewal cycles. Effective monitoring also strengthens the administrative and fiscal capacity of nonprofit contractors, fortifying their ongoing delivery of services and preparing them for City audits.



## II. KEY PRINCIPLES AND DEFINITIONS

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### **Steering Committee**

The interdepartmental Steering Committee is responsible for all citywide monitoring policy and coordination, including: determining site visits or self-assessments (“risk assessment”), assigning Lead Department Representatives, ensuring the workload is shared equitably, revising forms and guidelines as needed, and supporting the annual training program for nonprofits and City staff. The Steering Committee is comprised of representatives of participating departments and Department of Public Health divisions:

1. Brian Cheu, Mayor’s Office of Housing (MOH)
2. Greg Asay, City Services Auditor Division, Controller’s Office
3. Laura Moye, Department of Children, Youth & Families (DCYF)
4. Duane Einhorn, Department of Public Health (DPH)
5. Derik Aoki, Children and Families Commission (CFC)
6. Maureen Gannon, Sheriff
7. Dalisay Estrada, Office of Economic and Workforce Development (OEWD)
8. Esperanza Zapien, Human Services Agency (HSA)
9. Carol Sacco, Department on the Status of Women (DOSW)
10. Astrid Zometa, San Francisco Redevelopment Agency (RDA)

### **Criteria for Department Participation**

Each participating department must have a Steering Committee Representative who participates in Steering Committee meetings and at least one Steering Committee sub-committee (about four meetings a year). Steering Committee members are responsible for bringing the concerns of their departments to the interdepartmental group as well as sharing information discussed in Steering Committee meetings with their department colleagues/ staff. Moreover, Steering Committee Representatives are responsible for making sure the following is completed successfully and on-time on the behalf of their departments:

- Risk assessment information
- Citywide monitorings scheduled and in the online calendar
- Lead Department Representatives coordinate with Monitoring Team Members as specified in Section III of these guidelines (Lead Department Responsibilities)
- Monitoring Team Members actively participate in monitorings
- Monitoring Report Letters are issued to the nonprofit contractor and posted to COOL, the online data repository
- All Verification of Conformance Letters/close out memos are posted by the end of the fiscal year

### **Controller’s Office Role**

Citywide fiscal and compliance monitoring is coordinated by the City Services Auditor Division, Controller’s Office, as part of its Citywide Nonprofit Monitoring and Capacity Building Program. The Controller’s Office provides policy recommendations and chairs the Steering Committee. The Controller is also responsible for training, quality assurance, and oversight, including reporting to senior managers on department performance. The City Services Auditor Division is mandated by Appendix F to the City Charter to provide oversight of City contracting procedures.



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- Risk Assessment** Departments determine whether nonprofit contractors receive a site visit or self-assessment through an annual risk assessment process. This process is conducted by the Steering Committee in the first quarter of each fiscal year. Site visit/self-assessment assignments are based on performance criteria such as previous monitoring findings (see Risk Assessment Form at the end of these guidelines for the full set of criteria). Contractors that are not selected to receive a site visit will be required to submit a self assessment that includes much of the same information that would be reviewed during a site visit. All contractors eligible for citywide monitoring will be required to receive at least one physical site visit every three years.
- Waiver** A one-year waiver from citywide monitoring may be granted under special circumstances and as a result of exceptional fiscal and compliance performance by a nonprofit. Nonprofits qualifying for a waiver are nominated by departments and approved by the Steering Committee during the risk assessment process. In order to qualify for the waiver, the nonprofit must submit all invoices and external audits to the City on time, have no monitoring or audit findings in the last two fiscal years, and have received a monitoring site visit in the last two years (see Nonprofit Contractor Risk Assessment Form at the end of these guidelines for all qualifying criteria).
- Lead Department Representative** The Lead Department Representative is responsible for all aspects of the site visit or self-assessment monitoring, as detailed in these guidelines. The Lead Department is determined by consensus in the risk assessment annual meeting, and the Lead Department Representative is identified by the Lead Department. Lead Department Representative responsibilities include updating the online calendar, leading the monitoring, sending all communications to the contractor and City colleagues involved in the monitoring, and uploading all required documentation to COOL, the online data repository. Please see Section III of these guidelines for more information.
- Monitoring Team** The Monitoring Team is comprised of all City staff who manage contracts/grants with the nonprofit that is being monitored. They are listed in the "Master List," the annual document that the Controller's Office compiles showing the contracts/grants and nonprofits being monitored. The Monitoring Team is required to participate in the monitoring being lead by the Lead Department Representative, as described in Section III of these guidelines, including promptly responding to communication from the Lead Department Representative.
- Standard Monitoring Form** Citywide fiscal and compliance monitoring includes all elements on the Standard Monitoring Form (see end of these guidelines). Any criteria on the form that are not met are considered monitoring findings, for which the Lead Department Representative, in consultation with the Monitoring Team, will request a corrective action as appropriate in the ensuing Monitoring Report Letter. If a department has any compliance elements that are unique or program-specific, these should be reviewed under separate departmental program monitoring procedures.
- No Duplication** Nonprofit contractors will only experience one citywide fiscal and compliance review (either a site visit or a self assessment) per fiscal year, between the months of November and April. Departments participating in the citywide fiscal and compliance monitoring of a contractor agree to accept these monitoring results and not undertake a similar fiscal and compliance monitoring on their own. There should be no duplication of the elements reviewed between fiscal and compliance monitoring and program monitoring.



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**Program Visits** If possible, nonprofit program monitoring site visits should be scheduled on the same day as – or within two weeks of – the citywide fiscal and compliance site visit. This policy may be waived if: (1) this arrangement would result in an undue administrative burden for the contractor; or (2) the contract/ grant renewal cycle for the contractor requires the department to complete program reviews during a period other than when the fiscal and compliance site visit is scheduled. In these cases, department staff should work with their colleagues to coordinate all program monitoring site visits for the same day, regardless of when the fiscal and compliance site visit is completed. Departments may conduct as many technical assistance site visits and unannounced drop-in visits as they deem necessary to ensure safe, efficient, and high-quality services.

**Shared Information** Departments participating in citywide fiscal and compliance monitoring are required to post monitoring and verification documents in a shared, online data repository called COOL. The purpose of such postings is so that other departments funding or considering funding of a nonprofit contractor can easily access relevant information. The Lead Department Representative is responsible for the timely posting of such documents. Likewise, the Lead Department Representative is required to schedule monitorings in an online calendar and copy their Monitoring Team colleagues on all relevant correspondence with the contractor. Please see instructions in the “Lead Department Responsibilities” in Section III of these guidelines for details on what documents to post, the deadlines for such postings, how to post to COOL, as well as how to use the online calendar.

**Corrective Action Policy** The Citywide Nonprofit Corrective Action Policy, endorsed by both the CBO Task Force and the Mayor’s Office, is intended to encourage nonprofit accountability, compliance with government funding sources, and regular service delivery for San Francisco residents.

This policy established “Elevated Concern” and “Red Flag” designations that city departments should employ with nonprofit contractors as appropriate and a process by which these designations would be applied:

1. Elevated concern status occurs when the nonprofit has not done any or all of the following by City department deadlines:
  - Responded to the City’s request for monitoring documents
  - Responded to the City’s request for corrective action
  - Provided a corrective action plan that is acceptable to the City
  - Complied with the implementation of its corrective action plan
2. Red flag status is reserved for service providers at imminent risk of being unable to perform services per their agreement. The designation can only be determined by City department or division heads. In a red flag status situation, a department head quickly designates the status and prescribes specific corrective action.

City departments can designate elevated concern or red flag status to a nonprofit organization for fiscal, compliance, or programmatic reasons. Nonprofit organizations designated with either elevated concern or red flag status due to fiscal or compliance reasons are not eligible for new or renewed of City funding. Nonprofits on elevated concern status for program-related reasons will be less competitive in RFP scoring processes. For more information, please see Appendix VI of these guidelines.



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### Appeals

Contractors who have disputes, concerns, or feel that they have been subject to procedural lapses may—after exhausting their administrative options with their contracting department—appeal to the Nonprofit Task Force Appellate/Review Panel (contact the Office of Contract Administration). Departments should inform their contractors of these grievance procedures and the option of taking procedural complaints to this body. Please see the Office of Contract Administration website for more information (<http://www.sfgov.org/site/oca>) – scroll down to the Nonprofit Contracting Task Force section and select “Dispute Resolution Procedure for Health and Human Services Nonprofit Contractors” (<http://www.sfgsa.org/index.aspx?page=379>).

### Best Practices for Departments

The Controller’s Office recommends that departments participating in citywide monitoring adopt the following best practices on fiscal and compliance nonprofit monitoring:

- Apply monitoring standards consistently, and thus use the standard monitoring form and risk assessment to monitor those nonprofit contractors that are not shared with other departments (and are not in the citywide monitoring pool)
- Include citywide nonprofit monitoring procedures and standards in your department’s existing manuals and policies, as well as in performance evaluations and new staff orientation
- Include a copy of the standard monitoring form in your department’s nonprofit contract boilerplate, or otherwise include the fiscal and monitoring criteria in department’s contract language
- Utilize monitoring information in renewal or contract/grant award processes and discussions, such as during review by oversight bodies/Commissions
- Maintain and follow written department policies and procedures to address those nonprofits who have very serious monitoring findings or who do not successfully complete corrective actions
- Identify training needs for department staff and nonprofit contractors to improve fiscal and compliance performance, and share these with the Steering Committee/ Controller’s Citywide Monitoring Project Team

### Additional

Please see the Controller’s website (<http://www.sfgov.org/controller/nonprofits>) for additional

### Resources

resources on nonprofit fiscal and compliance guidelines and for more information on citywide monitoring. You may also contact the Controller’s Office City Services Auditor Project team at: [Nikhila.Pai@sfgov.org](mailto:Nikhila.Pai@sfgov.org) or [Greg.Asay@sfgov.org](mailto:Greg.Asay@sfgov.org).





## III.1: ONLINE CALENDAR

You are the Lead Department Representative responsible for a citywide site visit monitoring/ self assessment. Using the "Master List" document that contains all contact and contract/grant information for the nonprofit in question (a copy is posted in COOL in the Resource Material cabinet/Citywide Fiscal and Compliance Nonprofit Monitoring Admin. folder), you have already consulted with your City colleagues and the nonprofit contractor to set up the date of the monitoring. Now you have to schedule it in the online calendar. Follow these steps:

➡ **Remember that for the self assessment, you should enter the date the self assessment form is due back from the contractor, which is six weeks from the date of your letter.**

1. Go to <http://freecal.brownbears.com/CWMonitoring> - Bookmark it on your computer!
2. Enter password: npcalendar (Note: password is case sensitive)
3. Click on the date that you want to schedule your meeting – click on the actual numeral of the calendar
4. In the text box that says: "Enter text for a new event," enter in the name of the nonprofit contractor
5. Select the event category from the drop down box
6. Specify the location and time
7. In the text box that says: "Enter a URL, or text for a popup window," enter your name, department, and phone number. **It's very important to provide your name and contact information!**
8. (Optional) Scroll to the bottom of the screen to use the "Email Notification" section, where you can enter the emails of your colleagues so they will be automatically informed of new entries, changes, or deletions to the calendar. You can also include a message to go out with the notification when you alter an entry.
9. When done, click on "Create Event" at the bottom of the screen
10. To return to the calendar view, click on the upper left corner that says "View Calendar" in bright yellow
11. To edit an event after creating it, simply *double click* on it in the Calendar View

The screenshot displays the 'San Francisco Citywide Fiscal and Compliance Monitoring' online calendar interface. At the top, there's a navigation bar with 'View Calendar' and a calendar grid for August 2006. The main header reads 'San Francisco Citywide Fiscal and Compliance Monitoring' with the date 'Wednesday August 9, 2006'. Below this is an 'Existing Events' section showing a red event card for 'Monthly Work Group' at 'City Hall, Room 316' from 2:00pm to 4:00pm. The 'Add New Event' section is active, featuring a 'Date' selector set to August 9, 2006, and a 'Date Selector' button. The 'Enter text for a new event:' field is empty. To the right, there are 'Start Time' and 'End Time' dropdowns set to 'None', and radio buttons for 'AM' and 'PM'. Below these are 'Category' and 'Location' dropdowns. A 'More Categories' dropdown is open, listing options: 'Fiscal and compliance site visit', 'Monthly work group meeting', 'Pre-site visit coordination meeting', 'Program site visit', and 'Self assessment'. There are also 'Background', 'Foreground', and 'Border?' dropdowns, and a 'Color Name' checkbox. A 'Create Event' button is at the bottom left. The 'Repeat Information (Optional)' and 'Email Notification (Optional)' sections are also visible, with the latter containing 'TO:', 'CC:', and 'BCC:' fields and a text area for additional comments.



### III.2: BEFORE THE SITE VISIT - PLANNING DISCUSSION

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You are the Lead Department Representative responsible for a citywide site visit monitoring. You have already consulted with the nonprofit contractor and your City colleagues to set up a site visit date, and you have already scheduled this in the online calendar. The next step is to plan the monitoring with your monitoring team colleagues in advance of the site visit date. Follow these steps:

#### 1. Contact the Monitoring Team

- Contact your monitoring team City colleagues to discuss the monitoring (using the "Master List" that contains all contact and contract/grant information for the nonprofit in question – a copy is posted in COOL in the Resource Material cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder). This discussion can take place via telephone/email or in person if need be.
- If any of your City colleagues are unresponsive after two attempts to make contact, notify your manager/ Steering Committee representative.

⇒ Schedule the planning discussion/meeting at least one month in advance of your site visit, since you must send the cover letter to the contractor at least 20 business days before the scheduled visit.

#### 2. Gather Relevant Contract Documents

- You and your monitoring team colleagues should exchange copies of relevant contract documents, such as budgets and invoices.
- Check in the vendor's COOL folder (Monitoring/Citywide Fiscal and Compliance subfolder) for last year's fiscal and compliance monitoring report, Board of Director's roster, Articles and Bylaws, and up-to-date Form 990. If these documents are not there, ask your monitoring team colleagues if they have them (if so, post them to COOL). For Form 990, you can also check Guidestar ([www.guidestar.org](http://www.guidestar.org)) (if it's there, please post to COOL).

⇒ In your cover letter to the contractor announcing the site visit (see next page), only request the Board roster, Articles and Bylaws, and 990 if you cannot find them in COOL, Guidestar, or from your colleagues; or if these documents are out of date. If needed, ask the contractor to confirm that the documents you have are the most recent and, if not, to please send updated documents.

#### 3. Review Contract Budget and Identify Concerns

- Become familiar with the contract budgets and modifications
- Check with the monitoring team if any special funding requirements need to be reviewed during the site visit (e.g., matching funds that the contractor is to provide for a specific contract).
- With the monitoring team, identify any other fiscal and compliance concerns to be examined during the site visit that are not included in the standard monitoring form

#### 4. Identify Invoices and Expenses to Test

- Select at least a two month sample period to test invoices. To select the sample, look for interesting expenses in certain months (usually in operations or fringe benefits). When you are doing the site visit monitoring, you will be asking the contractor for back-up documentation for selected expenses to make sure the City is not being overbilled.
- Even in monitorings with many contracts to be reviewed, all site visit assessments must test expenses on at least two invoices from every contract.
- Agree with the monitoring team on how much of the sample invoices to review. Some of your colleagues may want to review all expenses within the sample, certain kind of expenses, or even some additional expenses in other months not selected to sample.
- Check if back-up documentation is submitted with invoices (e.g., payroll register, bills) If so, then you can do the invoice monitoring in advance of the actual site visit.



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- You should identify the sample months in advance, but do not let the contractor know the exact months until two days before the scheduled site visit. Please note that the standard letter announcing the site visit now states that the contractor may get in touch with you within two days of the site visit to know these exact months. If you do not receive this request before the site visit, tell the contractor the months you've selected first thing when you arrive on site to do the monitoring.
- Ask your monitoring team colleagues for names and titles of staff whose salaries are supported by City funds – at the site visit monitoring, you will need to look at the payroll register, timesheets, etc. that identify individuals by name.

### **5. Review Subcontractor Information**

- Identify subcontractors (professional services only) that are working with the contractor
- Determine if subcontractor(s) are identified in the contract or were selected after the City's funding. If the latter, determine if there were special procurement procedures the contractor should have followed and whether the City provided oversight during this procurement process.
- Determine the amount of funding budgeted for the subcontractor services.

### **6. Confirm Logistics**

- Determine by consensus if additional City staff should accompany the Lead to support the monitoring – this is especially important for larger nonprofits with multiple City contracts. Staff with specialized concerns are encouraged but not required to accompany the Lead on the site visit. If you are the Lead and feel that you do not have adequate support, request this from the monitoring team. If you feel that you still do not have enough support, promptly notify your manager/ Steering Committee representative or the Controller's Project Team.
- If there will be several monitors, consider assigning each person responsibility for specific sections of the Standard Monitoring Form during the site visit.
- Exchange mobile phone numbers with all City staff participating in the site visit in order to be in contact if someone is unable to arrive at the scheduled time.
- Finalize transportation and other logistical details

### **Follow Up from the Planning Discussion:**

#### **1. Send Cover Letter to the Contractor**

- Modify the sample letter in (Resource Material cabinet/Citywide Fiscal and Compliance Nonprofit Monitoring Admin. folder) with needed specifics, including any additional documents identified in the planning discussion/ meeting.
- Include a copy of the Standard Monitoring Form with the letter

⇒ Send the letter at least 20 business days prior to the site visit; remember to cc your City colleagues

#### **2. Request Monitoring Verification Documents in Advance**

- You are strongly encouraged to request any verification documents from the contractor in advance – e.g. ,agency-wide budget, cost allocation plan, audited financial statements, fiscal policies & procedures, financial reports, Board Minutes, personnel policies, and emergency plans.
- Requesting documents from the contractor in advance will speed the site visit, help the contractor prepare, and allows you to analyze the documents and ask questions before the visit. (For example, if you are not sure that a cost allocation plan meets the monitoring standards, ask a colleague on your monitoring team or your manager/Steering Committee representative).
- Make sure the contractor has received the cover letter before you request documents, however.

#### **3. Confirm Time and Place of Site Visit with Contractor**

- At least ten business days prior to the site visit, let the contractor know how many City staff to expect, whether the monitoring team will need a private room to meet and work, and if any specific contractor staff should be present and for how long.
- Confirm directions, transportation and parking information for the day of the visit, as necessary.



## III.3: AFTER THE SITE VISIT

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*You are the Lead Department Representative responsible for a citywide fiscal and compliance site visit monitoring, and you have just finished the site visit with the nonprofit contractor – what comes next?*

### **1. Conduct an Exit Interview with Contractor**

At the end of the site visit, you should meet with appropriate contractor staff to:

- Report what was monitored
- Briefly summarize any findings (although if you are not sure about a finding, it's alright to let the contractor know you will get back to him/her on this issue).
- Explain that the contractor should receive the Monitoring Report Letter within six weeks and will have one month to respond with an appropriate corrective action plan if there are findings

Make a follow up call/email to the contractor if you weren't able to check in at the end of the site visit.

### **2. Discuss Results with Monitoring Team/ Circulate First Draft of Monitoring Report Letter**

You are required to consult your monitoring team colleagues concerning any findings and corrective action before sending the Monitoring Report Letter to the contractor. Often, this can take place on site at the monitoring, but if you were not able to do so or if not all members of the team participated in the site visit, make sure to contact your colleagues to discuss any questions, findings, or corrective actions. A good way to make sure the entire monitoring team is on the same page with the findings and corrective action is to send a first draft of the Monitoring Report Letter (see next step) for their review and comment.

➡ **Questions, Problems? See Your Manager/ Steering Committee Representative!** If you're not sure about a finding or corrective action, if you don't agree with your monitoring colleagues, or if your colleagues are unresponsive, consult your manager or Steering Committee Representative. S/he can help resolve the issue by contacting another Steering Committee representative, the Controller's Office, or the technical consultants hired to assist with Citywide monitoring. If your manager or Steering Committee Representative is not available, contact the Controller's Project Team.

### **3. Send Monitoring Report Letter to Contractor**

The Monitoring Report Letter is a formal summary of the site visit findings and sets a deadline of one month for any required response from the contractor. Please use the standard letter template in COOL (in the Resource Materials/Citywide Fiscal and Compliance Monitoring Admin. folder). Be sure to "cc" the Board of Directors executive committee.

Only issues that are not in conformance with the Standard Monitoring Form can be included in the letter as *findings*, but you are also free to provide best practices *recommendations* and comment on fiscal and compliance concerns beyond the standard monitoring form as long as the monitoring team and your manager agree that this is appropriate.

- If you haven't already, circulate a draft of the Monitoring Report Letter to your monitoring team colleagues for their review and comment (it is recommended that you do this within three weeks of completing the site visit).
- Finalize letter and clear it with your manager
- Send final letter to the contractor within six weeks of the site visit. Copy all relevant City staff.

➡ **Post Monitoring Report Letter in COOL** (in vendor's Citywide Fiscal and Compliance/Current FY folder). This must be completed within six weeks of the site visit. Please note that Controller's Office



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closely tracks the posting of Monitoring Report Letters at the request of the Steering Committee and will be following up with your department management if it is not posted on time. You are only required to post a few of the verification documents to COOL (see step 5).

### **4. Track Contractor Response to Findings**

All contractors must provide a written corrective action plan for all monitoring findings identified in the Monitoring Report Letter within one month. When you receive the response from the contractor:

- Post the response in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).
- Send a copy to your monitoring team colleagues (or tell them it's in COOL)
- Check with you monitoring team colleagues to see if they agree whether or not the contractor has successfully addressed the monitoring findings.

#### **If the monitoring team feels the contractor has not provided a sound corrective action plan:**

- Per the City's Corrective Action Policy (see appendix VI), discuss this with your manager/Steering Committee representative and monitoring team, communicate this to the contractor and its board executive committee by written response within one month of the decision and follow up via email, telephone, or in-person meetings as needed.
- In the written response, provide a reasonable time frame of ten business days to one month for the contractor to offer an amended corrective action plan and offer a warning that an unacceptable plan will result in being placed on the elevated concern list. See sample "Unsatisfactory Corrective Action Plan" in COOL (Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder/Letter Templates folder).
- Post the letter in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).
- Copy the letter to the monitoring team (or tell them it's posted in COOL)
- If an acceptable plan is still not received within the established time frame, the City should inform the nonprofit by letter within ten business days and place the nonprofit on elevated concern status. See "Sample Letter Designation ECS" in COOL (in Resource Materials cabinet/Citywide Fiscal and Compliance Nonprofit Monitoring Admin. folder/Letter Templates folder).

#### **If the contractor's response to the Monitoring Report Letter is late:**

- As soon as it has been more than one month since you sent the monitoring report letter and the contractor's response is late, follow up by phone with the contractor and document this in a follow up letter – see sample "Overdue Responses to Monitoring Report" in COOL (Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder/Letter Templates folder). Set a new deadline of ten business days for a response.
- Post the letter in COOL (in vendor's Citywide Fiscal and Compliance/ Current FY folder).
- Copy the letter to the monitoring team (or tell them it's posted in COOL)

#### **If the contractor does not respond to the Overdue Response letter within ten business days:**

- Notify your manager/Steering Committee Representative and monitoring team right away
- Send a letter to the contractor and its board executive committee stating that the nonprofit has been placed on the elevated concern status list.
- Post the letter in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).
- Copy the letter to the monitoring team (or tell them it's posted in COOL)



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### When the contractor completes/provides a plan for corrective actions to the City's satisfaction:

- Draft a Verification of Conformance Letter within one month of receiving the plan. If appropriate, include information on de-designation from elevated concern status. (See samples in COOL, in the Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder/Letter Templates folder).
- Send the Verification Letter to the contractor, including the board executive committee, and copy all relevant City staff
- Post the Verification Letter in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).

⇒ It is important to have a written record that the contractor is in conformance. The Controller's Office, at the request of the Steering Committee, closely tracks the posting of Verification of Conformance Letters and will be following up with your department management if this is not posted.

### 5. File and Upload to COOL

You are responsible for maintaining electronic/hard copies of all monitoring documentation per your departmental policies for at least one year. You are also responsible for uploading the following documents into COOL in vendor's Monitoring/Citywide Fiscal and Compliance/Current FY folder:

- **Monitoring documents:** Monitoring Report Letter plus follow up correspondence from or to the contractor if available, including the Verification of Conformance Letter.
- **Verification documents:** 1. Contractor's Articles and Bylaws, 2. Contractor's Board Roster, and 3. Contractor's Recent Tax Form 990. If the contractor's Articles and Bylaws and Board Roster are already in COOL, ask the contractor if these are up to date. If not, replace with the most recent version. See instructions in these guidelines on using COOL to replace a document.



## III.4: SELF-ASSESSMENT

---

*In a self-assessment, the contractor fills out the Standard Monitoring Form instead of a City representative, and there is no on-site visit. The Steering Committee decides whether a contractor receives a self-assessment or site visit per established risk assessment criteria, such as past performance and when the last site visit took place (a site visit is required at least every three years). Follow these steps if you're the Lead Department Representative in charge of a self-assessment:*

### **1. Draft Cover Letter**

Modify the sample self-assessment letter posted in COOL (in the Resource Material cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder) with the following specifics:

- **Contracts:** Refer to the "Master List" document that contains all contract information for the nonprofit in question (posted in COOL in the Resource Material cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder) to find the specific contracts under review and list them in the letter
- **Deadline:** Specify the due date of the self-assessment in the letter and on the first page of the enclosed Standard Monitoring Form where indicated. Contractors must return their completed form and other documents within six weeks of the date of your letter.
- **Contact:** In the letter, tell the contractor that they should submit their materials to you and include your name, title, department/program, and contact information.
- **Documents:** Please check the vendor's COOL folder (Monitoring/Citywide Fiscal and Compliance subfolder) for a Board roster, Articles and Bylaws, and a recent Tax Form 990 before you request these in the self assessment letter. You can also check <http://www.guidestar.org> for a recent 990. If you already have copies of these documents, in the letter please ask the contractor to confirm that these are the most recent and if not, to please send updated documents.

### **2. Share Draft with your Monitoring Team Members**

Refer to the "Master List" document to find the names and contact information for your City colleagues who share the contractor ("monitoring team"). Email the draft cover letter to them a few days before sending it to the contractor. You may ask them:

- To confirm the contracts under review
- Whether the proposed date the self-assessment is due is acceptable
- To send you the nonprofit's Board roster, Articles & Bylaws, and a recent Form 990 if they have them

⇒ If you don't get a response from your City colleagues you may presume agreement on both the letter and the proposed timeline.

### **3. Send Letter to Contractor**

You are ready to send the letter to the contractor once you hear back from your monitoring team colleagues. Remember to enclose the standard monitoring form with your letter and to copy the monitoring team

### **4 Follow Up Call**

Call/email the contractor to tell them about the letter you've just sent and the upcoming self-assessment

### **5 Update Calendar**

If you haven't already, schedule the date the self-assessment is due in the online calendar.



**When the Self-Assessment is Due**

**1. Ensure Documents are Complete and On Time**

The contractor is required to return the following documents within six weeks of your self-assessment letter:

1. Standard monitoring form
2. Agency-wide budget
3. Cost allocation plan
4. Most recent audited financial statement
5. Most recent 990 tax form
6. Most recent agency-wide balance sheet
7. Most recent agency-wide profit and loss statement
8. Tax form DE6 and 941 filings for the two most recent quarters
9. Current Board roster
10. Current Articles and Bylaws
11. Board minutes from four meetings over the past twelve months:
  - One meeting minutes during which the organization’s most recent budget was approved
  - One meeting minutes during which the Board made a decision on a CCSF contract
  - Two meeting minutes for Board meetings that were open to the public

***If the contractor does not submit all of the above documents on time***, you should contact them in writing within ten business days, copying your monitoring team colleagues, to inform the nonprofit it is in danger of being on elevated concern status. See “Overdue Response to SA” letter in the Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin folder/Letter Templates folder in COOL for a sample letter to send for a late self-assessment.

**2. Upload Completed Standard Monitoring Form in COOL**

- Upload the form in the vendor’s Citywide Fiscal and Compliance/Current FY folder in COOL. It is permissible to upload an unsigned, electronic version of the form, but preferable to upload a PDF version of the signed document. You should retain the signed hard copy in your files.

**3. Review for Accuracy and to Determine Findings**

Carefully review the self-assessment form submitted by the contractor and the accompanying verification documents as follows:

<b><i>Review the..... (document)</i></b>	<b><i>To ensure the Contractor correctly completed....</i></b>
Entire Standard Monitoring Form	All of it, including the signature page
Agency-wide budget	Section 1A of the Standard Monitoring Form
Cost allocation plan	Section 1B of the Standard Monitoring Form
Audited financial statement	Section 1C of the Standard Monitoring Form
990 tax form	Section 1D of the Standard Monitoring Form
Balance sheet	Section 1F(a), (b), and (c) of the Standard Monitoring Form
Profit and loss statement	Section 1F (e), (f), and (g) of the Standard Monitoring Form
DE6 and 941 tax filings	Section 1H (a) of the Standard Monitoring Form
Articles and Bylaws	Section 2D (a) of the Standard Monitoring Form





## 4. Prepare and Send Monitoring Report Letter

- Please use the Monitoring Report Letter template in COOL (in the Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder/Letter Templates folder) to draft your Monitoring Report Letter
- Write up any findings that you identified in your review or that were self-identified by the contractor
- Circulate a draft of the Monitoring Report Letter to your monitoring team colleagues for their review and comment. Tell them the self assessment form is in COOL if they want to take a look themselves.
- Finalize letter and clear it with your manager
- Send letter to the contractor within six weeks of receiving the self-assessment information. Copy the board executive committee and all relevant City staff.

⇒ **Upload the monitoring report letter to COOL** (in vendor's Monitoring/Citywide Fiscal and Compliance/Current FY folder)

## 5. Track Contractor Response to Findings

- All contractors must provide a corrective action plan for all monitoring findings identified in the Monitoring Report Letter within one month.
- When you receive the response from the contractor, post it in COOL (in vendor's Monitoring/Citywide Fiscal and Compliance/Current FY folder), send a copy to your monitoring team colleagues (or tell them it's in COOL), and check with them concerning whether or not they feel the contractor has successfully addressed the monitoring findings.
- **If the monitoring team feels the contractor has not provided a sound corrective action plan,**
  - Per the City's Corrective Action Policy (see appendix VI), discuss this with your manager/ Steering Committee representative and monitoring team, communicate this to the contractor and its board executive committee by written response within one month of the decision and follow up via email, telephone, or in-person meetings as needed.
  - In the written response, provide a reasonable time frame of ten business days to one month for the contractor to offer an amended corrective action plan and offer a warning that an unacceptable plan will result in being placed on the elevated concern list. See sample "Unsatisfactory Corrective Action Plan" in COOL (Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin. folder/Letter Templates folder).
  - Post the letter in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).
  - Copy the letter to the monitoring team (or tell them it's posted in COOL)
  - If an acceptable plan is still not received within the established time frame, the City should inform the nonprofit by letter within ten business days and place the nonprofit on elevated concern status.
- **If you feel the contractor needs technical assistance** in order to address the monitoring findings, please notify your manager/ Steering Committee Representative. The Citywide Nonprofit Monitoring Program has technical assistance resources it may be able to provide.
- **If the contractor's response to the Monitoring Report Letter is late,**
  - As soon as it has been more than one month since you sent the monitoring report letter and the contractor's response is late, follow up by phone with the contractor and document this in a follow up letter– see sample "Overdue Responses to Monitoring Report" in COOL (Resource Materials cabinet/Citywide Fiscal and Compliance Monitoring Admin. Folder/Letter Templates folder). Set a new deadline of ten business days for a response. Be sure to include the board executive committee.
  - Post the letter in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- Copy the letter to the monitoring team (or tell them it's posted in COOL)

### **If the contractor does not respond to the Overdue Response letter within ten business days:**

- Notify your manager/Steering Committee Representative and monitoring team right away
  - Send a letter to the contractor and its board executive committee stating that the nonprofit has been placed on the elevated concern status list. See "Sample Letter Designation ECS" in COOL (in Resource Materials cabinet/Citywide Fiscal and Compliance Nonprofit Monitoring Admin. folder/Letter Templates folder).
  - Post the letter in COOL (in vendor's Citywide Fiscal and Compliance/Current FY folder).
  - Copy the letter to the monitoring team (or tell them it's posted in COOL)
- **When the contractor completes corrective actions/provides a plan to the City's satisfaction, draft a Verification of Conformance Letter** (see sample in COOL, under Resource Materials/Citywide Fiscal and Compliance Monitoring Admin. Folder/Letter Templates folder), copy all relevant City staff, and post in COOL (in vendor's Monitoring/ Citywide Fiscal and Compliance/Current FY folder). The Controller's Office at the request of the Steering Committee closely tracks the posting of Verification of Conformance Letters and will be following up with your department management if this is not posted.

### **6. File and Upload to COOL**

You are responsible for maintaining electronic/hard copies of all monitoring documentation per your departmental policies and for at least one year. You are also responsible for uploading the following documents into COOL (in vendor's Monitoring/Citywide Fiscal and Compliance/Current FY folder):

- **Monitoring documents:** Standard Monitoring Form (self-assessment), Monitoring Report Letter, and follow up correspondence from or to the contractor including the Verification of Conformance Letter.
- **Verification documents:** 1. Contractor's Articles and Bylaws, 2. Contractor's Board Roster, and 3. Contractor's Recent Tax Form 990. If the contractor's Articles and Bylaws and Board Roster are already in COOL, ask the contractor if these are up to date. If not, replace with the most recent version. See instructions on using COOL to replace a document.



## III.5: USING COOL- NAVIGATION

*How do I navigate in COOL? Where can I find templates, previous monitoring reports and verification of conformance letters?*

### Logging In

1. Open Internet Explorer
  - **DPH staff:** from DPHNet, click **Contract Library**

#### Other Departments:

<https://dph-extranet2.sfdph.org:4447/webtop>

2. Enter **User name and Password** (if you have forgotten your Login info, please call the DPH MIS Help Desk at 554-2689)
3. Click **Log in**
4. Click the **Cabinets tab**

### COOL Webtop

This interface allows you to look up specific vendors' monitoring and verification documents as well as standardized forms and resource materials related to the Citywide Nonprofit Monitoring Program.

You can navigate by expanding or collapsing the objects in the tree pane (left-side) while viewing and manipulating the contents from the results pane (right side).

The screenshot shows the COOL Webtop interface. On the left is a tree pane with a 'Cabinets' folder expanded, showing sub-folders like 'APPROVED', 'ARCHIVE', 'Civil Service Commission', 'COOL Forms', 'DEVELOPING', 'Exceptions', 'Health Commission', 'Installations & Extranet', 'Resources', 'RFP's & RFQ's', 'Test Program Manager', 'VENDORS', and 'Website'. The main pane displays the contents of the 'Test Program Manager' cabinet as a table:


Name	Size	Format	Modified
My Files			3/16/04 8:31 AM
Adpc03.xls	95 KB	Microsoft Excel Worksheet	4/27/04 1:35 PM
cc code.pdf	526 KB	Acrobat PDF	4/27/04 1:40 PM
Cellestis.pdf	126 KB	Acrobat PDF	4/27/04 1:36 PM
Monsum.doc	27 KB	Microsoft Word Document	3/16/04 8:33 AM







## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Once you have selected a document to review, double click on it and the associated application (PDF, PowerPoint, and Word) will open and display the document in read-only format. Note that you will likely need to have Java installed on your desktop in order to open these documents.

### Items in the Tree-Pane That You Will Need

 **Resource Materials:** This cabinet contains resource documents for the Citywide Nonprofit Monitoring Program, including the Master List, sample letters (e.g., Monitoring Report Letter), the Guidelines, Standard Monitoring Form, training materials, and other reference documents

 **VENDORS:** Vendors (or nonprofit contractors) are listed in alphabetical order. Each vendor's folder follows the same architecture:

-  Monitoring
-  My agency workspace
-  Vendor set-up

→ You will be working in the “Monitoring” folder for the Citywide Monitoring Program

### VENDORS- Monitoring Folder

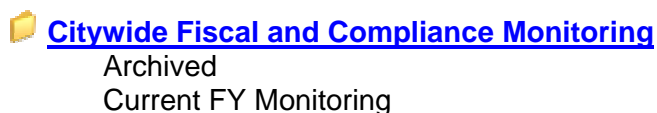
The monitoring folder for each nonprofit should look as follows – MNHC is used here as an example:



The Monitoring folder is composed of several subfolders, most of which pertain to program monitoring.

→ Use only the **Citywide Fiscal and Compliance Monitoring** subfolder to store citywide fiscal and compliance monitoring documents, such as the Monitoring Report Letter, Verification of Conformance Letter, Board Roster, Articles and Bylaws, and Tax Form 990. Please note this subfolder is currently divided into “Archived” and “Current FY Monitoring.”

**Please use the Current FY monitoring section for the current fiscal year**, and refer to the archived folder as needed for past documents.





## III.5: USING COOL – POSTING DOCUMENTS

How do I post documents to COOL?

- 1. SCAN** If the document you would like to post is a hard copy, you need to first scan and create a PDF file. Follow procedures on how to scan (and if necessary shrink the file size) provided to you by your local MIS group. Remember the name and the location of the newly scanned file.
- 2. NAVIGATE** Log into COOL, navigate to the Vendor Cabinet, find the appropriate subfolder for the vendor, and only use the Current FY Monitoring subfolder in the Citywide Fiscal and Compliance Monitoring subfolder
- 3. IMPORT**

**To import a new monitoring document** (that does not already exist in the subfolder – i.e.. the most recent Monitoring Report Letter that you have just sent to the contactor):

- Locate the **Folder Actions** section and click **Import**.
- Follow the prompts and be sure to select **Monitoring Document** for the **Type**.

cmsdoc : Claire Kramme / VENDORS / ASIAN WOMEN'S SHELTER /

Monitoring



Folder Actions : [Properties](#) [New Document](#) [New Folder](#) [Delete](#) [Subscribe](#) [Import](#) [Add To Clipboard](#) [Move here](#)  
[Copy here](#) [Link here](#) [Email as web -link](#) [View clipboard](#) [Start Workflow](#)

Folders Show items: 60



**To import a new version of an existing document** (replacing an old version of a document that is already in COOL- i.e., Board Roster)

- Navigate to the appropriate folder
- Locate the file that you want to replace and click **Check Out**.
- Click **Checkin** then select **Show Options** at the bottom of the page.
- Click **Check in from file**, click **Browse** and then navigate to the file and click **OK**.
- This will take you back to the check-in page in COOL; review the screen and then click **OK**.

**By following this procedure you will automatically archive the former version and allow better functioning of COOL. THANKS!**

Check In: DHS & DCYF.ppt

DHS & DCYF.ppt

Version 1.8, CURRENT  
Type cms\_document  
Format ppt8

Save as:  1.8 (same version)  1.9 (minor version)  2.0 (major version)

Version label:

Description:

Format: Microsoft PowerPoint Presentation

Retain Lock

Make this the current version

Keep a local copy after check in

Subscribe to this file

Check in from file



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

4. **ASSIGN ATTRIBUTES** When the import process is complete, click on the Information icon “i” to set the document attributes. Currently the following attributes need to be set. It is important that you set document attributes for COOL maintenance and in order to best track available documentation in the system.

<b>Name</b>	This is the Document Name. Please follow the naming convention – see next page on “Naming Documents”
<b>Vendor Number</b>	This is the ADPICS Vendor Number. To find the vendor number check the attribute on the vendor folder (click i).
<b>Type of Form</b>	<p>Choose the correct form type from the pull down menu:</p> <ul style="list-style-type: none"> <li>• Citywide Fiscal and Compliance Monitoring Report</li> <li>• Audited Financial Statements</li> <li>• City Audit</li> <li>• Single Audit</li> <li>• DPH Cultural Competency Reports</li> <li>• Articles and Bylaws</li> <li>• Tax Form 990</li> <li>• Board Roster</li> </ul>
<b><i>The following four attributes are only required if the form type is a Board Roster, Citywide Fiscal and Compliance Monitoring Report, or Audited Financial Statement</i></b>	
For Audited Financial Statement: <b>Fiscal Year Ending Date</b>	The end date (Fiscal, Calendar, or otherwise) for the audit period.
For Board Roster: <b>Effective Date</b>	The Effective Date for the list of Board members
For Citywide Fiscal and Compliance Monitoring Report: <b>Department</b>	<p>CFC (First Five Commission)            DPH (Department of Public Health)            DCYF (Department of Children Youth and Families)            DOSW (Department of Status of Women)            HSA (Human Services Agency)            JUV (Juvenile Probation)            MOCI (Mayor’s Office of Community Investment)            MOH (Mayor’s Office of Housing)            MOCJ (Mayor’s Office of Criminal Justice)\            SHF (Sheriff)</p>
DPH ONLY: For Citywide Fiscal and Compliance Monitoring Report: <b>Division</b>	<p>Choose the correct DPH Division from the pull down menu:</p> <ul style="list-style-type: none"> <li>• Housing and Urban Health (HUH)</li> <li>• Community Behavioral Health Services (CBHS)</li> <li>• HIV Health Services (HIVHS)</li> <li>• HIV Prevention (HIVP)</li> </ul>

5. **IMPORT PROCESS COMPLETE!** Click OK, and you will be taken back to the page where you started.



### III.5: USING COOL – NAMING DOCUMENTS

---

How should I name the documents that I post to COOL?

**Site Visit Letter:**

SVltr\_[ADPICS vendor name][FY].[file extension]

*For example: SVltr\_Asian Women's ShelterFY08.pdf*

**Self Assessment Letter:**

SAltr\_[ADPICS vendor name][FY].[file extension]

*For example: SAltr\_Asian Women's ShelterFY08.pdf*

**Completed Self Assessment Form:**

SAform\_[ADPICS vendor name][FY].[file extension]

*For example: SAform\_Asian Women's ShelterFY08.pdf*

**Overdue Self Assessment:**

OverdueSA\_[ADPICS vendor name][FY].[file extension]

*For example: OverdueSA\_Asian Women's ShelterFY08.pdf*

**Monitoring Report Letter:**

MonRep\_[ADPICS vendor name][FY].[file extension]

*For example: MonRep\_Asian Women's ShelterFY08.pdf*

**Overdue Response to Monitoring Report Letter:**

OverdueMRLResp\_[ADPICS vendor name][FY].[file extension]

*For example: OverdueMRLResp\_Asian Women's ShelterFY08.pdf*

**Contractor Response to Monitoring Findings:**

MRLResp\_[ADPICS vendor name][month][year].[file extension]

*For example: MRLResp\_Asian Women's ShelterApr2008.pdf*

**Verification of Conformance Letter:**

VerCon\_[ADPICS vendor name][FY].[file extension]

*For example: VerCon\_Asian Women's ShelterFY08.doc*

**Board Roster:**

BoardRos\_[ADPICS vendor name][month][year].[file extension]

*For example: BoardRos\_Asian Women's ShelterApr2008.pdf*

**Articles & Bylaws:**

ArtBylaws\_[ADPICS vendor name][month][year].[file extension]

*For example: ArtBylaws\_Asian Women's ShelterApr2008.pdf*

**Federal 990 Tax Form:**

TaxFormFed\_[ADPICS vendor name][month][year].[file extension]

*For example: TaxFormFed\_Asian Women's ShelterApr2008.pdf*



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### *Other documents (posting to COOL is optional)*

#### **Insurance Certificates:**

InsCert\_[ADPICS vendor name] [month][year].[file extension]  
*For example: InsCert\_Asian Women's ShelterApr2008.pdf*

#### **State Tax Forms:**

TaxFormState\_\_[ADPICS vendor name][month][year].[file extension]  
*For example: TaxFormState\_Asian Women's ShelterApr2008.pdf*

#### **Audited Financial Statements:**

AudAnnualFin\_[ADPICS vendor name][month][year].[file extension]  
*For example: AudAnnualFin\_Asian Women's ShelterApr2008.pdf*





**IV: COMPLETING THE STANDARD MONITORING FORM**

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**1. Overview and Objectives** .....

The following sections of this document are designed to provide an overview of the citywide fiscal and compliance monitoring process of the City and County of San Francisco and explain how it relates to best practices for fiscal systems for nonprofits.

In particular, the objectives of this document are:

- To provide an overview of the City and County of San Francisco's Nonprofit Fiscal and Compliance Monitoring Form;
- Provide an overview of fiscal systems for nonprofit contractors and how the compliance tasks relate with these systems; and
- Build capacity of City Staff to help their nonprofit contractors adopt best practices in fiscal management.

This document is best understood in conjunction with training sessions offered through the Controller's City Services Auditor Division.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### **2. Goals of Monitoring**

The goal of citywide nonprofit monitoring is to ensure compliance, improve monitoring results, and build nonprofit capacity, and thus decrease risk of poor performance on City contracts and service delivery. City staff and nonprofit providers are urged to approach monitoring as a partnership to achieve these goals. Successful partnerships mean City staff will:

- Develop and use a shared language about nonprofit finance to promote enhanced communications between City staff and nonprofit organizations and better informed decision-making within the organizations.
- Assess an organization's financial condition and help them identify immediate and long-term financial strengths and vulnerabilities.
- Partner with nonprofit organizations in understanding their financial condition through the provision of supportive and collaborative monitoring services.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- ***Financial Leadership***

Nonprofit contractors of the City of San Francisco strive to provide the highest level of service to their clients. Unfortunately, in a list of priorities, program delivery often comes at the expense of fiscal systems. The objective of this section is to provide City staff with language and information that they can use to discuss the importance of fiscal systems with nonprofit contractors. By providing nonprofit contractors with a model of financial leadership, our goal is to help them see that BOTH mission/program delivery AND fiscal systems and reporting are important.

As you know, nonprofit executives have numerous complex and challenging issues that they have to face as they lead their organizations. Finance is one of those crucial areas that cries for attention and time from the Executive Director and other managers within the organization. Finance is not an end in itself, but rather a necessary lens through which nonprofit leaders can look at their activities and organizational sustainability. Nonprofit leaders must take both their mission impact and financial viability into account when looking at the health and effectiveness of their organization. These two components create the “dual-bottom line” of the nonprofit sector.

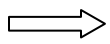
There are five foundational leadership principles in finance. Depending on the state of your nonprofit Contractor, it may help for you to discuss any or all five of these principles with Executive Directors:

- 1. Move beyond mission-versus-money thinking:**
  - Attention should be paid to both achieving the nonprofit’s mission and proper maintenance of fiscal systems. This does not need to be an “either/or” relationship.
- 2. Cultivate financial leadership on staff and board:**
  - Executive Directors should be encouraged to include staff, board, and outside financial consultants to create and implement solid fiscal systems.
- 3. View programs and support as interdependent:**
  - Activities and expenses should be viewed in an integrated fashion in order to understand what each activity brings to their organization in terms of BOTH mission and money.
- 4. Recognize the relationship between strong infrastructure and strong programs:**
  - Help Executive Directors to see that if they budget for infrastructure (finance, computers, etc.) that funders can be persuaded to pay for it!
- 5. Set a tone of financial accountability and transparency:**
  - Contractors should know that integrity, accountability and transparency start at the top and should be exhibited by the Executive Director – these attributes are not just something that “accounting” takes care of.



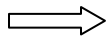
## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Using these foundational principles Executive Directors can develop the following financial leadership tools:



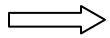
### **ENSURE ACCURACY**

- Making sure decision makers have timely and accurate financial data



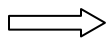
### **ASSESS CONDITION**

- Using financial data to determine overall fiscal health of the organization



### **PLAN FOR THE FUTURE**

- Creating a set of meaningful financial goals with the management team



### **COMMUNICATE**

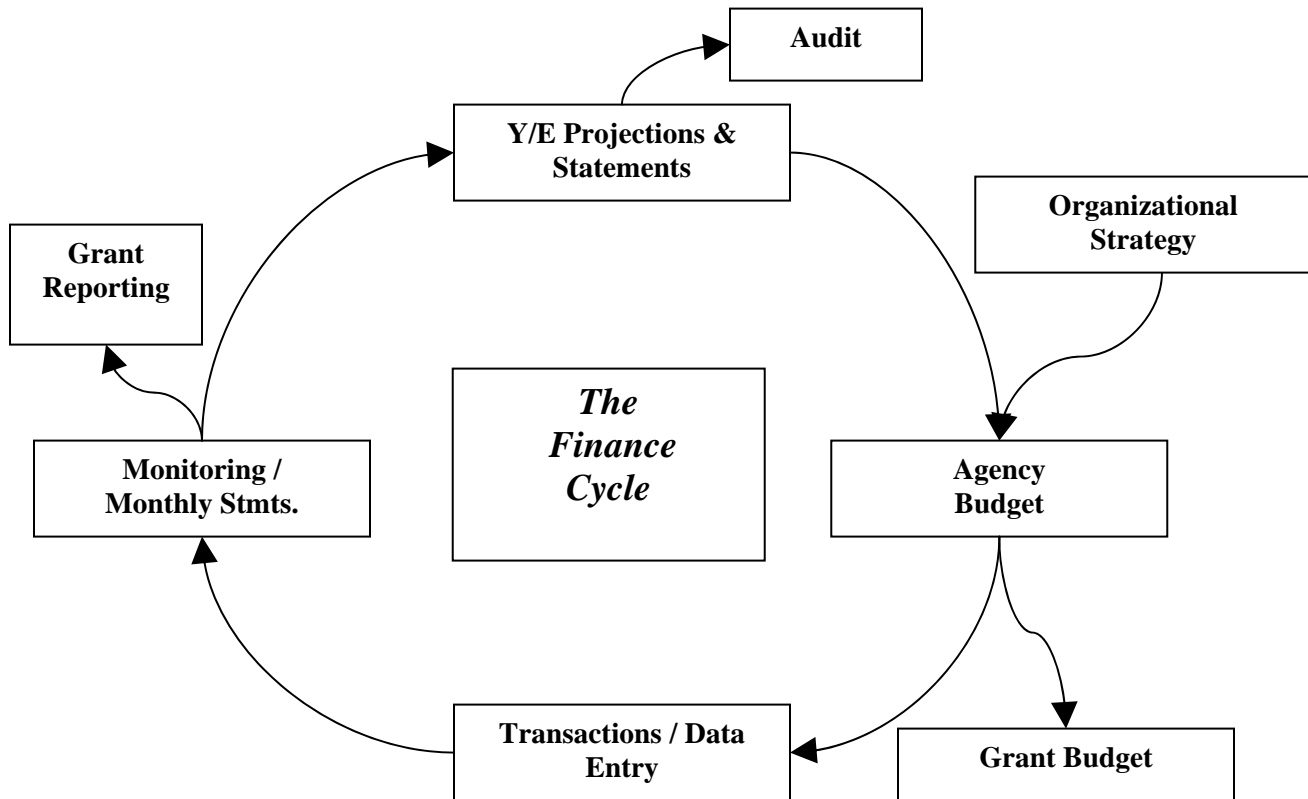
- Discussing goals and progress with staff, board, and external stakeholders

From a big picture perspective, you will want to look at these financial leadership tools and ask yourself if each component is in place with your Contractor. If not, what is missing, and is there a particular leadership principle that can help them solve the problem? Remember, compliance is required for government funding, but effective financial leadership is required for the ultimate success of a community based organization, regardless of who is funding it!



#### 4. The Finance Cycle

.....



#### Overview

---

Every agency follows the finance cycle to request, manage and allocate resources to accomplish its mission. The sophistication and complexity of the cycle varies depending on the size of the organization. A small organization may have an executive director who performs budgeting, an administrative assistant performing the data entry and an outside accountant performing the monthly and year end financial statements. This is a perfectly acceptable staffing plan for a small organization. As an organization grows they may add a full-time bookkeeper or even a Director of Finance to handle many aspects of the cycle.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

The cycle is designed with several audiences in mind for the organization:

1. Board of Directors and management;
2. Funders/Donors; and
3. General public.

The order of these audiences is important. While it is important to be able to utilize financial systems to report to funders, first and foremost the goal of the finance cycle is to provide management information by which they can manage the organization and accomplish their mission.



### SECTION 1: FISCAL REVIEW

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#### 5. Task 1A: The Agency-wide Budget

##### Budgeting Overview

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Organizations should be encouraged to engage in inclusive budgeting processes. The budget process typically has 5 steps. They are:

1. Planning and goals: Put the budget into context and prioritize what the organization wants to accomplish.
2. Determine expenses: Usually starting with payroll since it is typically the largest expense.
3. Determine revenue: What can the organization raise or earn this year?
4. Strike the balance: A budget is hardly ever balanced on the first draft, but this is an opportunity to return to the priorities that the organization set forward in Step 1.
5. Approve the budget: The budget must be approved by the Board of Directors.

A budget is a reflection of an organization's strategy. What does the organization want to accomplish in the coming year? It should reflect both the organization's dreams and realistic plans. It is also a tool for determining how much it truly costs to deliver the programs. A budget is designed to project future plans of the organization, it should not be created during or near the end of a fiscal year for THAT fiscal year.

As part of the performance and strategy, it is important to understand the relationship between income and expenses:

##### Function-based Budget

A function budget is based upon the programs or "activities" that an organization conducts including administration and fundraising. While it is important (and required) to know what the sources of funding are, an agency budget should be based on the organization's programs (function) which likely have multiple funding sources. A function budget can also be used as a tool to engage the board since they will often understand activities, but may not know the sources of funding.

##### Additional Resources

You can find some sample agency-wide budgets following the next section on Cost Allocation.

For additional information on the agency budget, see the Controller's Finance Guide for Nonprofit Organizations (pages 2-15 – 2-17) as well as the training materials on cost allocation. These documents can be found on the Controller's website under "Resources for Nonprofits."



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Standard Monitoring Form Checklist:

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The following parts of the Standard Monitoring Form pertain to budgeting processes:

#### 1A. Agency-wide Budget

- a. Current (fiscal or calendar year)
- b. Shows income and expense by funding source or program
- c. Shows allocation of shared and indirect costs by funding source or program
- d. Shows fundraising separate from program expense
- e. Clearly identifies all funding sources
- f. 15% of funding from non-City sources

*(Request and review the agency-wide budget to certify above items; ask Contractor if there is any missing information)*

➡ **MONITORING TIP:** During your site visit monitoring, request and review the agency-wide budget to certify the above items. If the budget does not show any of the above – ask the Contractor to explain. The Contractor might have to print out a more expanded document (showing hidden columns and rows or linked detail spreadsheets) to show you these breakdowns. If necessary, make sure to ask for and review this!

➡ **TIMESAVERING TIP:** Request and review the agency-wide budget in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor

Here are some quick check-points to help you verify compliance with the **1A. Agency-wide Budget** check boxes:

- **(a)** Contractor should be able to show you their current (fiscal or calendar year) agency-wide budget
- **(b)** The budget should: have separate columns for each program as well as for administration, show both projected income and expense/costs, as well as show any difference between projected income and expense
- **(c)** The budget should show both shared and indirect costs allocated by each funding source or program. Shared and indirect costs are usually indicated in budgets by separate rows for each.
- **(d)** The budget should have a separate column for fundraising (FR)
- **(e)** The budget should indicate all funding sources – you can ask the Contractor to verify this is indeed the case. It is a best practice that every funding source is listed in the budget, but at a minimum, all government funding sources (e.g., different City departments) should be listed and private sources like foundations may be grouped
- **(f)** To assess the financial sustainability of the Contractor, determine if the budget documents 15% or more of its funding from non-City entities. The list of funders may include private foundations, individual donors, state or federal revenue sources, documented in-kind services, or documented volunteers hours.





## 6. Task 1B: Cost Allocation Procedures

### Cost Allocation Overview

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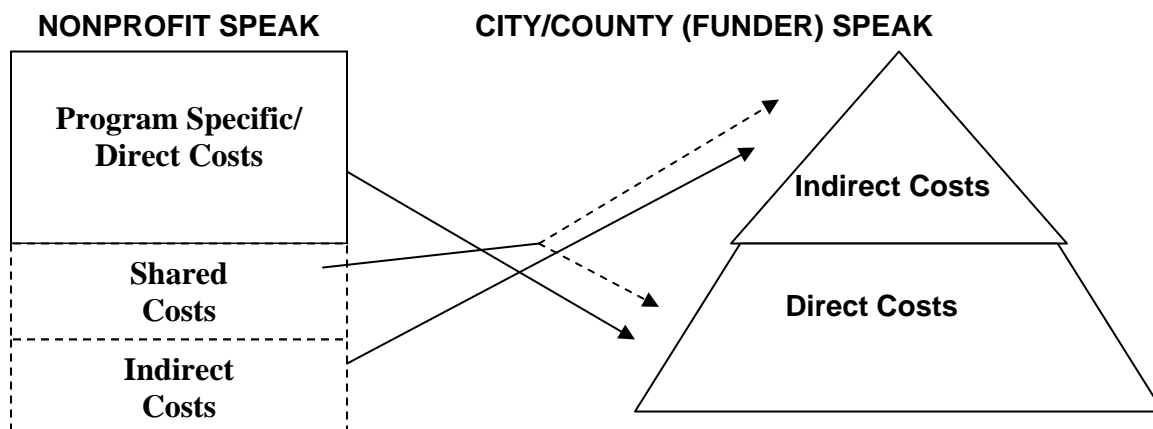
#### How To Speak “Nonprofit”

One of the challenges for nonprofit organizations in recovering their expenses is that generally accepted accounting principles and the IRS refer to nonprofit expenses differently than the City and County of San Francisco and other funders. The nonprofit has three types of costs: Direct Costs, Shared Costs, and Indirect Costs.

#### Direct Costs vs. Shared Costs vs. Indirect Costs

- ➡ **Direct Costs**
  - Costs that are clearly and easily attributable to a specific program or activity (or specific programs or activities, e.g. when a staff person’s time is clearly allocated to multiple programs)
- ➡ **Shared Costs**
  - Costs that are necessary to the operation of all programs or activities
  - Costs without which the programs or activities could not function
  - Costs which can be prorated using a basis which reasonably measures the benefits provided to each activity
- ➡ **Indirect Costs**
  - Costs that are necessary to the overall operation of an organization, but the benefits can’t be traced to a particular program, for example, finance and executive activities

For the City and County of San Francisco and other funders, there are only two types of costs in Contractor budgets: Direct and Indirect. The direct costs may include items that the nonprofit would define as “shared costs” as well as their definition of “direct costs”. The indirect costs would most likely include items that the nonprofit defines as “indirect costs” as well. Below is a diagram which illustrates the comparison of nonprofit definitions vs. City and County definitions of direct and indirect costs:





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### What is Cost Allocation?

Cost allocation is the process by which a nonprofit allocates indirect and shared costs across programs and administration. Cost allocation is important because it helps a nonprofit to capture the true cost of their activities and fairly allocate overhead costs. The City's cost allocation guidelines for nonprofit contractors largely follow those described by Generally Accepted Accounting Principles (GAAP) and in Federal OMB Circular A-122.

### Key Attributes of Cost Allocation: Consistent, Reasonable, and Documented

A nonprofit's cost allocation plan must be clear and utilize a consistent and reasonable methodology. The methodology should NOT be based solely on the funding source or a particular percentage stated in a contract or contract budget. A reasonable methodology for allocating may be square footage, FTE's, etc. Cost allocation methodology should be backed up with a supportive narrative or clearly explained in the footnotes of the agency-wide budget. Sometimes the cost allocation narrative is included in a nonprofit's financial policies and procedures handbook.

**Consistent-** Is the allocation plan or process used consistently throughout the fiscal year and within all of the agency's functions?

**Reasonable-** Are the particular costs ordinary and necessary and comparable to market prices?

**Documented-** Is the methodology for allocating the cost documented? For example, are there time-studies, functional timesheets and percentage of direct salaries?

Cost allocation methodology should NOT be based solely on what each funding source will pay or a particular percentage of indirect costs stated in a contract or contract budget. This is not an acceptable methodology for cost allocation according to Government Auditing Standards (GAGAS) and may result in a finding in an audit for the nonprofit.

### Additional Resources

For more information on cost allocation, see the Controller's Finance Guide for Nonprofit Organizations (pages 2-15 – 2-16), Guidelines for Cost Allocation, as well as the training materials on cost allocation. These documents can be found on the Controller's website under "Resources for Nonprofits."



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Standard Monitoring Form Checklist:

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The following parts of the Standard Monitoring Form pertain to cost allocation processes:

#### 1B. Cost Allocation Procedures

- a. Process for cost allocation procedures and plan for shared costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget
- b. Process for allocating shared program costs is consistent and reasonable
- c.. Process for cost allocation procedures and plan for indirect costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget
- d. Process for allocating indirect costs is consistent and reasonable

*(Request and review the agency-wide budget or written cost allocation narrative to certify the above)*

⇒ **MONITORING TIP:** During your site visit monitoring, request and review the agency-wide budget or written cost allocation narrative to certify the items above. If these documents do not provide enough information or if you have additional questions, ask the nonprofit Contractor for more information.

⇒ **TIMESAVINGS TIP:** Request and review the agency-wide budget and cost allocation narrative in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor

Here are some quick check-points to help you verify compliance with **1B. Cost Allocation Procedures** check boxes:

- **(a)** Ask the nonprofit Contractor to show you their cost allocation procedures and plan for shared costs in the current approved budget. The nonprofit staff should show you the cost allocation procedures and plan as a written narrative (which may be in their fiscal policies and procedures) or as explanatory footnotes of current approved agency-wide budget. Please see page 34 for examples of cost allocation of shared costs in an Agency-wide budget.
- **(b)** Look for a written procedure for how the nonprofit's shared costs (costs that benefit more than one program) are allocated. If it doesn't make sense to you ASK the Contractor to clarify. The clarity may come in the form of spreadsheets or more narrative. The written documentation needs to demonstrate a clear, consistent and reasonable methodology. The methodology should NOT be based solely on what the funding source will cover or a particular percentage stated in a contract or contract budget. It is consistent if the same methodology is used for the same type of cost across programs. It is reasonable if the Agency's methodology makes sense and is appropriate to the type of programs. A reasonable methodology for allocating may be square footage, FTE's, etc. and it should be backed up with a supportive narrative.
- **(c)** Ask the nonprofit Contractor to show you their cost allocation procedures and plan for indirect costs in the current approved budget. The nonprofit staff should show you the cost allocation procedures and plan as a written narrative (which may be in their fiscal policies and procedures) or as explanatory footnotes of current approved agency-wide budget. Please see page 36 for examples of cost allocation of indirect costs in an Agency-wide budget.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- **(d)** Look for a written procedure for how the Agency's indirect costs (not easily attributable to individual programs, also called "overhead" or "admin" costs) are allocated. If it doesn't make sense to you ASK the Contractor to clarify. The clarity may come in the form of spreadsheets or more narrative. The written documentation needs to demonstrate a clear, consistent and reasonable methodology. The methodology should NOT be based solely on what each funding source will cover or a particular percentage stated in a contract or contract budget. It is consistent if the same methodology is used for the same type of cost across programs. It is reasonable if the Agency's methodology makes sense and is appropriate to the type of programs. Examples of reasonable methodologies include the appropriate use of FTE's, units of service, percentage of direct costs, etc.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

SAMPLE UNRESTRICTED BUDGET WITH SHARED COSTS ALLOCATED  
 2008-09 Budget: First Draft (summarized)  
 As for May 29, 2008

	Program Activities		Supporting Activities		Shared Costs	Total 2008-09	Total 2007-08
	Shelter Services	Support Groups	Admin-istration	Fund-raising			
Contributions	-	-	-	80,000	-	80,000	58,000
Fundraising events - net	-	-	-	135,000	-	135,000	125,000
Foundation grants	-	-	-	125,000	-	125,000	115,000
<b>Total support</b>	-	-	-	340,000	-	340,000	298,000
Government contracts	815,009	-	-	-	-	815,009	770,467
Interest and dividends	-	-	10,000	-	-	10,000	5,750
Unrealized gain (loss) on investments	-	-	-	-	-	-	-
<b>Total revenue</b>	815,009	-	10,000	-	-	825,009	776,217
Net assets released from restriction	-	445,000	-	5,000	-	450,000	453,000
<b>Total income</b>	815,009	445,000	10,000	345,000	-	1,615,009	1,527,217
Personnel expenses	329,852	214,881	117,365	127,339	179,161	968,598	973,204
Non-personnel expenses	416,750	129,300	28,100	44,750	224,113	843,013	505,507
<b>Total specific costs</b>	746,602	344,181	145,465	172,089	403,274	1,811,611	1,478,711
<b>See 1 Note Below</b>							-
<b>Allocation of shared costs</b>	181,473	125,015	44,360	52,426	(403,274)	-	-
<b>Expenses before overhead/indirect</b>	928,075	469,196	189,825	224,514	-	1,811,611	1,478,711
<b>Change before overhead/indirect</b>	(113,066)	(24,196)	(179,825)	120,486	-	(196,602)	48,507
% of direct costs See Note 2 Below	57%	29%	-100%	14%	0%	(0)	-
<b>Allocation of indirect costs</b>	108,200	55,049	(189,825)	26,576	-	(0)	-
<b>Total expenses</b>	1,036,275	524,245	-	251,090	-	1,811,610	1,478,710
<b>Change in net assets</b>	(221,266)	(79,245)	10,000	93,910	-	(196,601)	48,507

Note 1:



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Shared Costs will be allocated on whichever basis or combination of bases reasonably measures the benefits provided to each activity.

Note 2: Percentage of Direct Costs is only one acceptable method of allocating Indirect Costs. Other methods could be used as long as they are consistent, reasonable, and documented.

### **SAMPLE FINAL BUDGET PRESENTATION (IN THE SAME FORMAT AS AUDITED F/S**

2008-09 Budget: Final Presentation for Board Approval

As of June 17, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	80,000	-	200,000	280,000
Fundraising events - net	135,000	-	-	135,000
Foundation grants	125,000	835,000	50,000	1,010,000
<b>Total support</b>	<b>340,000</b>	<b>835,000</b>	<b>250,000</b>	<b>1,425,000</b>
Government contracts	815,009	-	-	815,009
Interest and dividends	10,000	-	-	10,000
Unrealized gain (loss) on investments	-	-	-	-
<b>Total revenue</b>	<b>825,009</b>	<b>-</b>	<b>-</b>	<b>825,009</b>
Net assets released from restriction	450,000	(450,000)		-
<b>Total income</b>	<b>1,615,009</b>	<b>385,000</b>	<b>250,000</b>	<b>2,250,009</b>
Shelter Services	928,075	-	-	928,075
Support Groups	469,196	-	-	469,196
Administration	189,825	-	-	189,825
Fundraising	224,514	-	-	224,514
<b>Total expenses</b>	<b>1,811,610</b>	<b>-</b>	<b>-</b>	<b>1,811,610</b>
Change in net assets	(196,601)	385,000	250,000	438,399
Beginning net assets	300,000	371,004	105,000	776,004
<b>Ending net assets</b>	<b>103,399</b>	<b>756,004</b>	<b>355,000</b>	<b>1,214,403</b>



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### SAMPLE PROGRAM BY SOURCE BUDGET SHOWING WHO IS FUNDING BUDGET

Shelter Program							
	Program Total	DCYF	First 5	Funder C	Funder D	Funding Total	(Over) Under Funded
Salaries	295,920	65,000	105,000	-	37,500	207,500	88,420
Payroll Taxes	30,332	6,500	10,500	-	3,750	20,750	9,582
Training	3,600	1,800	1,800	-	-	3,600	-
<b>Personnel expense</b>	<b>329,852</b>	<b>73,300</b>	<b>117,300</b>	<b>-</b>	<b>41,250</b>	<b>231,850</b>	<b>98,002</b>
Clients, direct assistance	375,000	15,000	25,000	180,259	65,000	285,259	89,741
Conferences & Meetings (see note)	1,000	-	1,000	-	4,250	5,250	<b>(4,250)</b>
Dues and Subscriptions	1,000	250	250	-	500	1,000	-
Other Professional Fees	20,000	-	15,000	-	-	15,000	5,000
Printing & Copying	1,000	250	250	-	500	1,000	-
Supplies	15,000	5,000	8,000	-	2,000	15,000	-
Travel	3,750	1,250	1,250	-	1,250	3,750	-
<b>Non-personnel expense</b>	<b>416,750</b>	<b>21,750</b>	<b>50,750</b>	<b>180,259</b>	<b>73,500</b>	<b>326,259</b>	<b>90,491</b>
Liability Insurance	12,000	3,000	3,000	3,000	3,000	12,000	-
Occupancy	88,000	20,000	20,000	25,000	23,000	88,000	-
Utilities	22,000	5,000	5,000	5,000	5,000	20,000	2,000
Depreciation	10,000	2,500	2,500	2,500	2,500	10,000	-
Other shared costs	49,473	10,000	10,000	10,000	10,000	40,000	9,473
<b>Shared Costs</b>	<b>181,473</b>	<b>40,500</b>	<b>40,500</b>	<b>45,500</b>	<b>43,500</b>	<b>170,000</b>	<b>11,473</b>
Overhead/aka Indirect Costs	108,200	14,950	21,950	25,000	25,000	86,900	21,300
<b>Total expenses</b>	<b>1,036,275</b>	<b>150,500</b>	<b>230,500</b>	<b>250,759</b>	<b>183,250</b>	<b>815,009</b>	<b>221,266</b>

Note: Funder D may require a budget revision to allow use of \$4,250 of funding for “conferences & meetings” expense for some other budget line item



### **7. Task 1C: Audited Financial Statements**

#### **Audited Financial Statements Overview**

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##### **External Audits**

The requirement for an external audit is part of a specific contract. This is a standard requirement for many City departments. However, a nonprofit can request a waiver for an external audit and the City department providing funding can grant the waiver if they so choose. The fact that the waiver was requested and granted should be specified in the contract.

An audit is performed by an independent Certified Public Accountant (CPA) and includes an opinion as to the accuracy of the financial statements. An audit typically does NOT express an opinion about the financial health of the organization unless the organization is about to go out of business.

Audited financial statements consist of:

- Opinion Letter from the CPA
- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- Statement of Cash flow
- Statement of Functional Expenses
- Footnotes

Footnotes consist of disclosures required by Generally Accepted Accounting Principles (GAAP). Common footnotes are:

- Concentration of credit risk (if an organization has more than \$100,000 in a bank)
- Lease commitments
- Detail of grants receivable

##### **A-133 Audits**

An A-133 audit is a type of external audit that is more rigorous. Organizations are required to have an additional “A-133” Audit (named after the title of the OMB Circular) if they spend in excess of \$500,000 in federal funds in a year (including pass-through’s from any entity- not only the City). If the funds are only for one program, they can have a “single” or “program-specific” audit. In these audits, the auditor also issues an opinion on compliance with laws, regulations, and contract provisions.





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Audit Opinions

There are 4 types of opinions that an auditor may issue:

- Unqualified: A clean opinion meaning that the statements accurately (within materials guidelines) reflect the finances of the organization.
- Qualified: The auditor considered that there are no findings of note resulting in a clean audit, except for certain immaterial financial issues.
- Adverse: The financial statements are not accurately or fairly presented.
- Going concern: This is an explanatory paragraph that accompanies an unqualified opinion. It typically indicates that the organization is facing a financial challenge that may impact its ability to continue operations (“as a going concern.”)

In addition, if an auditor has to withdraw from an audit and not complete the work, they will issue a disclaimer of an opinion.

It is important to remember that audited financial statements are not an indication of financial health of an organization. Nonetheless, the reader still needs to know how to be able to use them.

### The Management Letter

An auditor will typically issue a management letter from an audit that comments on the internal controls of the organization. However, not all auditors issue management letters with every audit.

When conducting a fiscal and compliance monitoring, City staff should specifically ask the nonprofit Contractor if a management letter has been issued, and if so, if they can see a copy. City staff should ask the nonprofit Contractor to explain what steps are being taken to address any concerns raised in the management letter. Sometimes the Contractor has written a formal response to the management letter that explains their corrective action – City monitors should ask contractors if such a letter exists, and if they could see a copy. Management letters and response to management letters can be issued for any external audits, including A-133 audits. Management letters will include a discussion of prior year audit findings.

Organizations that receive a management letter should take steps to address any items noted and City staff while monitoring the agency should follow up on these findings and ensure that appropriate corrective action has been taken. You may want to request documentation that shows corrective action has been taken. Although this is not a required component of the monitoring, it is strongly encouraged.



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## SAMPLE Management Letter\*

To the Audit Committee of the Board of Directors

We have audited the financial statements of X Organization as of and for the year ending December 31, 20XX and we have issued our report thereon dated April 15, 20XX. Professional standards require we advise you of the following matters related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated April 15, 20XX, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of X Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We previously communicated material weaknesses in internal control that were identified during the course of audit procedures. These material weaknesses were fully described in the Summary of Finding and Questioned Costs included in X Organization's 20XX financial statements.

[Signature]

[Date]

\* No management letter is alike and there are no clear templates. The following link offers the FY 2007 City's Single Audit report. The guidelines contain information that a management letter was issued to the City, but the letter does not appear to be publically available online:  
[http://www.sfgov.org/site/uploadedfiles/controller/reports/CCSF\\_Single\\_Audit\\_2007.pdf](http://www.sfgov.org/site/uploadedfiles/controller/reports/CCSF_Single_Audit_2007.pdf)



**SAMPLE  
Auditor's Standard Report**

Independent Auditor's Report

We have audited the accompanying statement of financial position of X Organization as of December 31, 20XX, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Organization as of [at] December 31, 20XX, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Signature]

[Date]



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Standard Monitoring Form Checklist:

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The following parts of the Standard Monitoring Form pertain to audited financial statements:

#### **1C. Audited Financial Statements**

##### ***For All Organizations:***

- a. Complete: all sections and statements included; opinion and other audit letters are signed
- b. Unqualified opinion

##### ***For Organizations which received a Management Letter:***

- c. Management letter has been signed by the audit firm
- d. For any prior year findings, the Contractor has provided you with a reasonable explanation of how the Contractor has corrected all the findings

##### ***For Organizations which had A-133 Audit:***

- e. No material weaknesses mentioned
- f. No current findings and/or questioned costs
- g. For any prior year findings, the Contractor has provided you with a reasonable explanation of how the Contractor has corrected all the findings

*(Guidance to City staff: request and review the Contractor's external audit, including the management letter if available (a-d); an A-133 audit should have been conducted if the Contractor spent over \$500,000 in federal funds (e-g))*

➡ **MONITORING TIP:** During your site visit monitoring, request and review the Contractor's external audit, including the management letter if available. Make sure the Contractor is required to have an audit (this is almost always the case – check contract requirements). Request to see the A-133 audit if the Contractor spent over \$500,000 in federal funds (e-g). **If the Contractor did not receive an A-133 audit**, confirm with the Chief Financial Officer that the nonprofit did not spend more than \$500,000 in federal funds that audit year, and consider whether the answer makes sense in light of the current year's budget. If it appears that perhaps the nonprofit should have had an A-133 audit but did not, it is very important that you make a note of this in the comments section of the Standard Monitoring Form and alert your manager/ Steering Committee representative.

➡ **COURTESY TIP:** You may find the nonprofit's most recent external audit already uploaded in the vendor's folder in COOL. As a courtesy to the Contractor, City staff should check COOL before requesting the audit. Thank you!



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Here are some quick check-points to help you verify compliance with **1C. Audited Financial Statements** check boxes:

- **(a)** Ask the Contractor to show you the most recent Audited Financial Statement. Check to make sure there are no missing pages (check page numbers) and that the “opinion” and other audit letters are signed.
- **(b)** Look at the opinion letter, which is usually the first page or so of the audit, and make sure it is an “unqualified” opinion. It is rare that this is not “unqualified.” However, if you come across this, alert your manager or department’s Steering Committee member and make a note of it in the Standard Monitoring Form
- **(c)** Ask the Contractor to see a management letter if you don’t see it with the audit. Please note that not all audits result in a management letter. In A-133 audits, the internal control letter will state that there is a management letter if there is one (although it will not conversely state if there is not one). Check to make sure the management letter has been signed by the audit firm. This ensures that the management letter that you are reviewing is the final version.
- **(d)** Ask the Contractor’s staff to explain or demonstrate how the nonprofit has made the necessary corrective actions for any prior year audit findings. This will likely be recorded in the management letter. If the nonprofit staff is unable to provide you with a reasonable explanation of the corrective action, please do not check this box. City monitors are encouraged and allowed to request documentation that corrective action has been taken, but this is not a required component of the site visit monitoring.
- **(e)** For those Contractors that received an A-133 audit, read the internal controls letter that is part of the audited financial statement. It is very helpful to check the “Summary of Auditors’ Results” section. If you see material weaknesses mentioned, it is a finding and please do not check this box
- **(f)** Review the A-133 compliance section to make sure there are no current findings or questioned costs. If you see either current findings or questioned costs, it is a finding and please do not check this box.
- **(g)** If there are prior year audit findings, ask the Contractor’s staff to explain to you how these have been corrected. If the Contractor is unable to clearly explain to you how the staff has corrected these findings, it is a finding in this monitoring and please do not check this box. You may also wish to ask for documentation that demonstrates the corrective action taken. This may be in the management letter (if it is a material finding) or it may be in the “schedule of findings and questioned costs” section. City monitors are encouraged and allowed to request documentation that corrective action has been taken, but this is not a required component of the site visit monitoring.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### 8. Task 1D: Tax Form

#### Tax Forms Overview

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There are numerous filing requirements that nonprofits have to abide by. Here is a table of some of them:

Filing	What?	For Who?
DE-6 (see Task 1H)	Quarterly wage and withholding report	State of CA: <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>
Form 941 (see Task 1H)	Quarterly Employer Federal Tax Return for wages	IRS <a href="http://www.irs.gov">www.irs.gov</a>
Form 990	IRS Filing for Exempt Organizations.	IRS: <a href="http://www.irs.gov">www.irs.gov</a>

#### 990 Form

The 990 form is the annual report to the IRS which must be filed within four months and fifteen days after the end of an organization's accounting period, though 2 three month extensions are allowed.

A sample of the 990 form is uploaded in the Resources cabinet in COOL.

#### Standard Monitoring Form Checklist:

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The following part of the Standard Monitoring Form pertains to tax forms:

##### 1D. Tax Form

- a. Federal 990 return filed or extended and submitted on time

*(Guidance to City staff: "on time" is 4.5 months after the close of the fiscal period, although extensions are allowed; date of submission is on page 9.)*

⇒ **COURTESY TIP:** Please check the vendor's folder in COOL before your site visit monitoring or before you request the 990 in the self assessment – you may find the nonprofit's most recent 990 already uploaded. You can also go to [www.guidestar.org](http://www.guidestar.org) – this website usually has a nonprofit's most recent 990 online. If need be, you can confirm with the nonprofit that the 990 in COOL or guidestar is the most recent. Thank you!

⇒ **COOL POSTING REMINDER:** Remember, the Lead Department representative is required to post the most recent 990 in the vendor's folder in COOL along with the Monitoring Report Letter. Please see the section on Lead Department responsibilities in these guidelines for more information.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Here are some quick check-points to help you verify compliance with the **1D. Tax Form** check box:

- **(a)** Check the 990 to make sure that it has been filed on time (four months and fifteen days after the close of the fiscal period, though 2 three month extensions are allowed); the date of submission is on page 9. If a Contractor has requested an extension for 990 filing, City monitors should request documentation of this extension request



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### 9. Task 1E: Fiscal Policies and Procedures

#### Fiscal Policies and Procedures Overview

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Nonprofit organizations should document their financial processes through a fiscal/accounting policies and procedures manual, but more importantly, the manual should be followed!

Nonprofit organizations should also regularly review and update the fiscal/ accounting policies and procedures manual. Further, the staff should be trained on the manual and kept abreast of updates and revisions. A thorough fiscal/accounting policies and procedures manual will address issues such as:

- Internal Controls (policies, for example, regarding the safeguarding of assets, authorization of transactions, reconciliation of accounting records, etc.)
- Financial Reporting (which reports are required, to whom, and when)
- Accounts Payable (processing of bills to the organization including credit cards)
- Accounts Receivable (process of money coming into the organization)
- Petty cash procedures
- Payroll (timesheets, time-studies, payroll process, paying and filing payroll taxes)
- Conflict of Interest Policies (if not included in the organization's Personnel Manual)

An updated Fiscal Policies and Procedure Manual is also required for the organization's annual audit. Read through the manual and determine if:

- All topics pertaining to financial processes are included (see list above)
- It is easy to understand
- It is detailed - describes each process start to finish
- It includes titles of staff involved in each process
- Updates/corrections based on past audits have been implemented

The Fiscal Policies and Procedure Manual should give you a good idea of the fiscal systems in place. Look for all the pertinent steps for paying bills, receiving money, payroll, and internal controls to avoid fraud. The Manual should also include details on how financial reports are shared with the Board of Directors – this is a monitoring element required to be checked under section 2A "Board Minutes."

#### Additional Resources

Don't hesitate to take the time to provide recommendations to the nonprofits you monitor to improve their policies and procedures – it is time well spent! While there are no boiler plate manuals, consider the following articles by Clara Miller, President of the Nonprofit Finance Fund:

- *The Looking Glass World of Nonprofit Money*





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- *Capital Structure Counts: The Business Roots and Capacity and Mission in Nonprofits*
- *Hidden in Plain Sight: Understanding Nonprofit Capital Structure.*

CompassPoint Nonprofit Services provides the following on their website:

- Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-term Success by Jeanne Bell and Elizabeth Schaffer <http://www.compasspoint.org/content/index.php?pid=66>
- Internal Controls Checklist: a handy reference for nonprofit organizations as they consider what policies and procedures to implement to prevent deliberate or misguided use of funds for unauthorized purposes. The checklist, developed by CompassPoint, can be found on the Controller's "Resources for Nonprofits" website: <http://www.sfgov.org/controller/nonprofits>



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Standard Monitoring Form Checklist:

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The following parts of the Standard Monitoring Form pertain to the Fiscal Policies & Procedures:

#### **1E. Fiscal Policies & Procedures**

**a.** Current (updated to reflect prior site visit or audit recommendations)

In writing, contains at a minimum:

**b.** Internal controls (safeguarding of assets, authorization of transactions, reconciliation of accounting records)

**c.** Financial reporting

**d.** Accounts payable

**e.** Accounts receivable

**f.** Petty cash

**g.** Payroll

*([Guidance to City staff](#): request and review fiscal policy and procedures to certify above items.)*

➡ **TIMESAVINGS TIP:** Request and review the fiscal policies and procedures in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor



### 10. Task 1F: Financial Reports

#### Financial Reports Overview

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For the Contractor's management team and Board of Directors, the most used aspect of the finance cycle will be regular financial reports. In order to assess a nonprofit's financial health and ongoing ability to provide services on behalf of the City, City staff check two, fundamentally important financial reports in their monitoring: 1. balance sheets and 2. profit and loss statements. Other important financial reports typically viewed by Boards and executive managers include cash flow projections and variance reports (which provide an explanation of variances from budget to actual and plans to act on them).

#### 1. Balance Sheet (otherwise known as the "Statement of Financial Position")

The balance sheet tells the story of the overall financial health of the organization from its inception. A balance sheet is made up of Assets, Liabilities, and Fund Balance (also known as Net Assets or Equity). It is called a "balance" sheet because the assets should equal (balance with) liabilities plus equity.

##### **Asset**

- Cash plus anything that can generate cash. Examples include accounts receivable (money owed to the organization), inventory (stock or merchandise), equipment (furniture, fixtures, machinery, delivery trucks), and anything else that can generate cash.

##### **Liability**

- A financial obligation, debt, claim, or potential loss (any money owed).

##### **Fund Balance or Net Assets (sometimes called Equity)**

- The difference between total assets and the total liabilities.

Balance sheets always reflect the financial situation "as of the current date". It is a best practice for nonprofits to produce this report on a monthly basis, but some only do this quarterly. It is also a best practice that nonprofits should be able to produce such reports on demand or on an as needed basis.

#### Cash Balance

It is important to check whether a nonprofit has an overall positive cash balance, as indicated on the balance sheet – operating without a positive cash balance would indicate that the nonprofit is having cash flow problems and delivery on City contracts may be compromised.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Net Assets

It is also important to review whether current assets exceed current liabilities on the balance sheet. If they don't, the nonprofit may be in a financial emergency as it will not be able to cover its monthly payroll or other bills, which could pose a serious risk to the nonprofit's ability to deliver on current City contracts. You can assess the financial health of the organization by looking at both net assets (equity) and the "current ratio" of total current assets and investments/total current liabilities.

#### ***Net Assets (Equity)***

- Net assets should be an overall positive number indicating that the organization is not running at a deficit.

#### ***"Current Ratio" of Total Current Assets/Total Current Liabilities.***

- This ratio should be 2 or greater to cover the current month and future month's expenses. It represents the numbers of dollars on hand to pay the bills on hand.

$$\text{Current Ratio:} \quad \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

### Bank Reconciliation

A bank reconciliation verifies that the cash amount on the balance sheet is accurate. The bank reconciliation is a comparison of the cash reported on the balance sheet and the closing figure on bank statements plus any deposits "in transit" and minus any uncleared checks. Bank reconciliations are an important practice for nonprofits in order to maintain financial health and sustainability, as they help ensure financial reporting is accurate and up to date. In your site visit monitoring, you only need to request to see the most recent bank reconciliation and verify that it is current as of no more than 4 months prior.

## 2. Profit and Loss Statement

This report is also known as a "Statement of Activity," "Statement of Financial Activities," "Income Statement," or "Year-to-Date Net Income."

The profit and loss statement ideally compares actual spending to budgeted amounts. It is a record of the nonprofit's earnings or losses for a given period. It shows all of the money an organization earned or was given (revenues). It also shows all of the money an organization spent (expenses) during this period. This report is an accumulation of revenue and expenditures since the beginning of the agency's fiscal year. The most helpful versions show both the month and year to date financial information.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

It is a best practice for nonprofits to produce a profit and loss statement:

- On a monthly basis, but some nonprofits may only do this quarterly
- Which presents the information in the same categories as/ in a manner consistent with the organization's approved, agency-wide budget

The nonprofit's management team and Board of Directors should be reviewing this report regularly to identify and understand the cause of significant variances between actual financial information and the budget.

### **IMPORTANT: Check that the Year-to-date Net Income is Positive**

It is important to verify the year-to-date net income is a positive number. A positive year-to-date net income means that more revenue has been earned so far in the fiscal year than there are expenses. If the nonprofit organization uses the accrual accounting method (as per General Accounting Principals), the organization's profit and loss statement should include all revenue earned, regardless of whether or not it has yet received the money. Hence, even if the City's payment to the organization is delayed, it should not negatively affect the year-to-date net income amount.

If the year-to-date net income is a negative number, the nonprofit organization should be able to provide a reasonable explanation for the negative number and a timeframe before the end of the fiscal year for when the organization expects the fund balance to become positive. For example, reasonable explanations may involve patterns of cyclical revenue for seasonal programs (such as after school care) or the start-up phase of a program.

If the nonprofit is not able to provide such a reasonable explanation or does not expect the number to be positive by the end of the year, it is important to note this as a finding in the monitoring. The reason this is important is because the nonprofit will likely face significant challenges in delivering on its contracts as originally specified in agreements with the City if it lacks sufficient funds to cover its anticipated expenses. It is better that the City is aware of these financial difficulties sooner rather than later.

### **Additional Resources**

Examples of balance sheets and profit and loss statements follow.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### Statement of Financial Position As of March 31, 2008

	Current YTD	Previous Year End
<b>Assets</b>		
Cash and equivalents	161,270	551,584
Investments	106,361	100,000
Contracts receivable	144,567	177,674
Grants receivable	315,000	124,000
Prepaid expenses	11,942	15,065
<b>Total current assets</b>	<b>739,140</b>	<b>968,323</b>
Buildings and improvements	180,000	180,000
Vehicles	32,750	32,750
Furniture and fixtures	48,955	48,955
Equipment	19,771	14,725
Total property and equipment	281,476	276,430
Less accumulated depreciation	(102,419)	(73,325)
Net property and equipment	179,057	203,105
Long-term deposits	3,589	3,589
Total non-current assets	3,589	3,589
<b>Total assets</b>	<b>921,786</b>	<b>1,175,017</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	12,514	48,990
Accrued vacation	9,897	6,941
Current portion of long-term debt	14,259	13,457
<b>Total current liabilities</b>	<b>36,670</b>	<b>69,388</b>
Note payable (leasehold improvements)	99,398	109,392
Less current portion of long-term debt	(14,259)	(13,457)
<b>Total liabilities</b>	<b>121,809</b>	<b>165,323</b>
Unrestricted net assets	275,308	283,690
Temporarily restricted net assets	419,669	326,004
Permanently restricted net assets	105,000	100,000
<b>Total net assets</b>	<b>799,977</b>	<b>709,694</b>
<b>Total liabilities and net assets</b>	<b>921,786</b>	<b>875,017</b>

<b>Current Ratio =</b>	<b><math>\frac{\text{Current Assets}}{\text{Current Liabilities}}</math></b>	<b>739,140</b>	<b>36,670</b>	<b>Current Ratio = 20.16</b>
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## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### SAMPLE BUDGET TO ACTUAL INCOME STATEMENT (Statement of Financial Activity)

#### Budgeted Statement of Activity - Unrestricted

For the Nine Months Ending March 31, 2007

	YTD Actual	YTD Budget	Variance B/(W)	Annual Budget	\$ Remaining	% Remaining
Contributions	23,200	43,500	(20,300)	58,000	34,800	60%
Fundraising events - net	92,430	93,750	(1,320)	125,000	32,570	26%
Foundation grants	92,000	86,250	5,750	115,000	23,000	20%
<b>Total support</b>	<b>207,630</b>	<b>223,500</b>	<b>(15,870)</b>	<b>298,000</b>	<b>90,370</b>	<b>30%</b>
Government contracts	574,382	577,850	(3,468)	770,467	196,085	25%
Interest and dividends	3,761	4,313	(552)	5,750	1,989	35%
Unrealized gain (loss) on investments	(2,400)	-	(2,400)	-	2,400	n/a
<b>Total revenue</b>	<b>575,743</b>	<b>582,163</b>	<b>(6,420)</b>	<b>776,217</b>	<b>200,474</b>	<b>26%</b>
Net assets released from restriction	322,335	339,750	(17,415)	453,000	130,665	29%
<b>Total income</b>	<b>1,105,708</b>	<b>1,145,413</b>	<b>(39,705)</b>	<b>1,527,217</b>	<b>421,509</b>	<b>28%</b>
Shelter Services	505,866	502,478	(3,388)	669,971	164,105	24%
Support Groups	277,286	288,695	11,408	384,926	107,640	28%
Administration	167,168	156,025	(11,144)	208,033	40,865	20%
Fundraising	163,769	161,834	(1,935)	215,779	52,010	24%
<b>Total expenses</b>	<b>1,114,090</b>	<b>1,109,032</b>	<b>(5,058)</b>	<b>1,478,709</b>	<b>364,619</b>	<b>25%</b>
<b>Change in net assets</b>	<b>(8,382)</b>	<b>36,381</b>	<b>(44,763)</b>	<b>48,508</b>	<b>56,890</b>	<b>117%</b>
Beginning net assets	283,690	283,690	-	283,690		
Ending net assets	275,308	320,071	(44,763)	332,198		

B = Better than budgeted  
(W) = Worse than budgeted



**Standard Monitoring Form Checklist:**

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The following parts of the Standard Monitoring Form pertain to the Financial Reports:

<p><b>1F. Financial Reports</b></p> <p><b>Balance Sheet (a.k.a. Statement of Financial Position):</b></p> <p><input type="checkbox"/> a. Current (as of the last four months, at least)</p> <p><input type="checkbox"/> b. Overall cash balance is positive</p> <p><input type="checkbox"/> c. Current assets exceed current liabilities by 2 to 1</p> <p><input type="checkbox"/> d. Current bank reconciliation (as of the last four months, at least)</p> <p><b>Profit and Loss Statement (a.k.a. Statement of Activity):</b></p> <p><input type="checkbox"/> e. Current (as of the last four months, at least)</p> <p><input type="checkbox"/> f. Shows year-to-date (YTD) income and expense by program/ contract/ funding source, including indirect costs</p> <p><input type="checkbox"/> g. Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year</p> <p><i>(Guidance to City staff: request and review the Contractor's most recent balance sheet, bank reconciliation, and profit and loss statement to certify the above items. Note that item 1Fb is strongly recommended but not required for City monitors to complete.)</i></p>
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➡ **MONITORING TIP:** During your site visit monitoring, request and review the most recent balance sheet and profit and loss statement.

➡ **TIMESAVINGS TIP:** Request and review these financial reports in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor

Here are some quick check-points to help you verify compliance with the **1F. Financial Reports** check boxes:

- **(a)** Ask for the nonprofit's most recent balance sheet, also known as the statement of financial position. Check that it is available and current: the balance sheet should have information current as of no more than four months earlier than the date of the site visit monitoring/ date of request.
- **(b)** Check that the balance sheet has an overall positive cash balance (look under "assets")
- **(c)** Most balance sheets show subtotals labeled "current assets" and "current liabilities" – and thus it is easy to check that the former exceeds the later. However, if assets and liabilities are not broken down by current and non-current, it is usually fairly simple to calculate this yourself: current assets are cash plus any receivables or inventory expected to become cash within 12 months, and current liabilities are those payable within 12 months.
- **(d)** Request the Contractor to show you their most recent bank reconciliation and verify that it is current as of no more than four months prior. If more than one bank account, sum totals to see if the final amount equals cash balance.
- **(e)** Ask for the nonprofit's most recent profit and loss statement, also known as the statement of activity. Check that it is available and current: the profit and loss statement should have information current as of no more than four months earlier than the date of the site visit monitoring/ date of request.





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- **(f)** Confirm that the profit and loss statement shows the year-to-date (YTD) income and expense/ cost by program contract or funding source, including indirect costs – remember, the point of a profit and loss statement is to be able to compare budget to actual, and it is a good financial practice for nonprofits to periodically look at their spending by program/ funding source.
- **(g)** Confirm that year-to-date net income amount listed on the profit and loss statement is a positive number; if it is not,ask the Contractor staff to explain how it will be positive by the end of the fiscal year. If the Contractor staff is not able to provide you with a reasonable explanation or if the Contractor does not expect this number to be positive by the end of the fiscal year, please do not check this box – this will be an important finding to note in your Monitoring Report Letter. See section above labeled “IMPORTANT: Check that the Year-to-date Net Income is Positive.”



## 11. Task 1G: Invoices

### Invoices Overview

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#### Before the Site Visit – Selecting the Sample

In the pre-site visit planning meeting, citywide fiscal and compliance monitoring teams should select at least two months of invoices to monitor. As explained in the “Before the Site Visit” tool at the beginning of these Guidelines, page 9, you should identify the sample months in advance, but only give the Contractor a range of months so they will be prepared enough for your arrival but not know the exact months in question. Tell the contractor the months you’ve selected two days prior to the site visit if they inquire, otherwise first thing when you arrive to do the site visit monitoring to avoid waiting time.

Be sure all participating departments/divisions agree on how much of the sample invoices to review – i.e., every expense, certain kind of expenses, etc. Some of your colleagues may want to review all expenses within the sample or even some additional expenses in other months not selected to sample. It is the Lead Department Representative’s responsibility to determine the consensus on this.

#### Reviewing Invoice Expenses

Be concerned if the Contractor’s invoices are always for 1/12<sup>th</sup> of the contract budget – invoices should be based upon actual expenses, not estimates. Instances of this should be noted in the Monitoring Report Letter.

During the site visit monitoring, for each month that you have selected for monitoring, you should compare items for which the Contractor invoiced the City and what the Contractor’s financial records and documentation reflect. In other words, you will need to verify items on the invoice that you are monitoring with supporting documentation such as an original bill, credit card receipt, petty cash voucher, or timesheet/ timestudy. If necessary, you may also request to see cancelled checks or paystubs to further verify payments made for items on the invoice.

Supporting documentation includes anything that allows you to verify an expense on a particular invoice submitted to the City for payment. This can also include the review of bills submitted by vendors or subcontractors seeking payment from the Contractor, bank statements, and the general ledger. Please note that employees can elect to have their payroll sent to them electronically and this would be noted on the payroll register.

#### Supporting documentation you may want to request during your site visit:

- Payroll register for the months selected
- Time sheets for the staff of interest to verify time worked on the program – compare the payroll register to the timesheets
- Fringe benefit documentation (e.g., bills from Kaiser for health benefits plan)
- Operating expenses (e.g., items that are either integral to the program, like participant stipends, subcontractor expenses, or any expense that is over \$1,000 in a particular month)
- Bank statements
- Cancelled checks
- Petty cash vouchers
- Credit card statements
- Itemized bill
- Units of service support (*usually DPH contracts only*) e.g., sign-in sheets, intake forms, etc.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Also make sure that expenses are properly classified. For example, you don't want to see utility charges being billed to travel expenses. You also will want to make sure the expenses (e.g., supplies) are truly for the program you are monitoring, and not for something else, like fundraising activities.

### **Bank Statements**

When reviewing bank statements, look to see if there were any bounced checks or overdrafts. Review checks at random to see to whom they are written (note if any checks are written to "Cash"). Also note the check signatures, and if the Contractor is conforming to its own check signature process (according to the Contractor's fiscal policies and procedures manual). Note that not all contractors receive cancelled checks from their banks, but imprints can be obtained by the fiscal officer (usually online).

### **Subcontractors**

You should also verify the accuracy of invoices submitted by subcontractors to the Contractor for payment and the amount the Contractor bills the City for subcontractor expenses. Also compare dates of bills to the subsequent date paid by the Contractor. The Contractor should pay the subcontractor on the payment schedule established in the subcontracting agreement and/or before the Contractor received the City reimbursement for the services delivered. You may want to verify payment in some cases by looking at the general ledger to identify check numbers and reviewing the bank statements and cancelled checks, if necessary.

### **Units of Service Contracts (also known as "Fee for Service")**

These are typically used by the Department of Public Health (DPH) for certain contracts in which a rate is negotiated for reimbursement in the contract on a per unit basis. During the programmatic monitoring, DPH program staff will be responsible for determining whether the Contractor has appropriately billed for units of services by reviewing relevant documentation maintained by the Contractor, usually at the program site. While the fiscal monitor will not be verifying the total number of units completed in a particular month, the fiscal monitor will need to determine whether the Contractor's system for reporting Units of Service is adequate. Things to consider when making this determination include the quality of the internal system for reporting Units of Service from the program site to the Contractor's fiscal office, and the relevance of supporting documentation on reported Units of Service for each invoice kept by the Contractor's fiscal office.



Standard Monitoring Form Checklist:

The following parts of the Standard Monitoring Form pertain to invoices:

**1G. Invoices**

**Expenses:**

- a. Expenses tested on invoices have supporting documentation: credit card charges and/or petty cash expenditures are all documented with an original receipt and reasonably tie to the cost allocation plan.
- b. Contractor follows its policies for writing checks, credit card use, petty cash use, and/or reimbursement for expenses tested on invoices
- c. Tested expenses on invoices appear to be reasonably associated with the program budget

**If Units of service contract (usually DPH contracts only):**

- d. Units of service provided are documented and agree with invoices

**If payments to subcontractors are included on invoices:**

- e. Subcontractor authorized by contract
- f. Contractor paid its subcontractors' invoices per the schedule established in the subcontracting agreement and/or prior to receiving City reimbursement for the services delivered
- g. Subcontractor invoices show basis for work billed as performed (units of service, hours, reimbursable costs)

*(Guidance to City staff: test selected expenses on selected invoices, requesting documentation and explanation from Contractor as needed (a-d); request and review subcontracting agreement & invoices as needed for select months (e-g).)*

➡ **MONITORING TIP:** To complete this section of the monitoring form, you will be verifying items the Contractor invoiced to the City in the months you and your monitoring team selected for sampling (usually two). The Contractor should be able to supply you with supporting documentation for any item on the invoice – request documentation and explanation as needed. Also, request and review subcontracting agreement and subcontractor invoices as needed for select months (g-h).

Here are some quick check-points to help you verify compliance with the **1G. Invoices** check boxes:

- **(a)** For each invoice you are reviewing, check the total budget amount on the invoice and compare it to the total budget amount in the most recent contract budget. This is to ensure that the Contractor is operating with the most recent contract budget. If the total budget amount on the invoice does not match the total budget amount on the most recent contract budget, then, the Contractor is not using the most recent budget (i.e. the Contractor may have done a contract modification with a new budget and is not using it).
- **(b)** For each invoice, verify that the supporting documentation for the units of service is appropriate/ relevant to the services delivered (usually DPH contracts only)

**Expenses**

- **(c)** Ask to see bills paid for items on the invoices in question. You will need to verify items on the invoice that you are monitoring with an original bill, credit card receipt, petty cash voucher, or timesheet/ timestudy. If you feel it necessary to request additional documentation, you may need to verify payments with cancelled checks. Be aware that a statement from a vendor may not be accepted in place of an invoice. For shared cost items, such as utility, staff salaries, and rent, please make sure the amount on the invoice reasonably ties to the cost allocation plan. For example, if the cost allocation plan indicates



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

how rent is to be allocated, please make sure that the appropriate portion of the rent is reflected in the invoice you are reviewing.

**Note:** It is good to ask for documentation for benefits that are covered by the contract and workers compensation insurance payments. However, please note that employee payroll is addressed in section 1H (Payroll) in more detail.

- **(d)** Ask the Contractor to show you its fiscal policies and procedures manual – this should include the Contractor’s policies for writing checks, credit card use, petty cash use, and reimbursements. Ask the Contractor to explain and demonstrate how these procedures were followed using specific items on the invoices in question. It is particularly important to note if the Contractor is conforming to its own check signature process.
- **(e)** Make sure that the items in the invoices you are monitoring correspond with the budgeted amounts allowed in the contract. You can verify this by looking at the budget as well as the “year-to-date (YTD) amount billed” and “total budget” on the actual invoice submitted.

### **If payments to subcontractors are included on invoices:**

- **(f)** Ask to see signed and current subcontractor contracts
- **(g)** Review the payment schedule established in the subcontractor agreement. Check that invoice payments to the subcontractor are consistent with the schedule outlined in the subcontractor agreement. If there is not a payment schedule outlined in the subcontractor agreement, verify that the subcontractor invoice was paid by the Contractor prior to being reimbursed by the City for the services delivered.
- **(h)** Check to make sure the subcontractor invoice shows the details of the work performed and the appropriate basis for billing. You should check this basis for billing with the subcontractor agreement and corresponding budget.



## 12. Task 1H: Payroll

### Payroll Overview

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#### Tax Form Requirements

All nonprofit Contractors are *required* to pay payroll taxes to the Federal and State Government. If they are not, they are violating their contract agreements, and will most likely owe the government money for delinquent payroll taxes. (You may see mention of overdue payroll taxes in Board minutes, audited financial statements or other documents you come across during your monitoring).

Nonprofits need to file the *DE6 Report* and *Form 941* quarterly by the end of the month following the end of the quarter. The DE6 is submitted to the State and the Form 941 is submitted to the IRS. These reports will list the amount of payroll expense and the staff for which payroll taxes were paid. In most cases, payroll taxes are due by the 15th of the following month for both state and federal taxes. For agencies with large payrolls that exceeded \$50,000 of taxes due in the prior year beginning July 1 and ending June 30, federal payroll taxes are due in less than a week.

#### Payroll Services

Most nonprofit contractors in the City use a payroll service like ADP, which nearly always makes the payroll tax payment on behalf of the contractor. However, if a nonprofit Contractor you are monitoring does not use a payroll service to submit taxes, the Contractor must take the responsibility to ensure that the payroll taxes are being taken out of the employees' wages and submit the DE6 and 941 reports in a timely manner.

During your site visit monitoring, find out from the Contractor who submits the quarterly payroll tax payment and reports to the State/Feds—either the Contractor or the payroll service. (Note: if an outside service is used, the Contractor's payroll register/ journal will indicate the entity that is responsible for issuing the quarterly DE6 and Form 941 reports – if payroll is processed in-house, it will always be the contractor's responsibility). Delinquent payroll taxes are very unlikely to occur when an outside payroll service processes the payments and reports on behalf of the Contractor, but it is still possible for a Contractor using a payroll service to elect not to pay its payroll taxes during times of fiscal distress.

#### Ensuring Payroll Tax Has Been Paid

If payroll tax returns are prepared by a third party vendor like ADP, most often the vendor will remit the taxes. Payroll register pages which report the tax liability will say if the employer is paying the taxes. Either the Contractor should be able to show that its own check was issued to pay them, or the payroll service will include the tax amounts in the amount it deducts from the Contractor's bank account. In either case, ask the Contractor to show you on its bank statement when the deduction was made by the third party vendor or the check cleared the bank. If the Contractor paid the payroll taxes itself (not through a payroll service), you need to be sure to check the bank statement to see that the check cleared.

#### Employee Time Tracking by Funding Source or Program



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Nonprofit contractors need to track employee time by funding source when staff work on programs funded by multiple sources. When federal funds (and/or pass throughs) are mixed with City General Fund dollars, OMB A-122 cost allocations principles apply to all of the dollars, including time tracking by funding source. When checking timesheets and/or timestudies, please verify that employee time is recorded by funding source when the staff works on programs with more than one funding source. Cross-check the time-tracking system with the Contractor's cost allocation plan, to ensure they are consistent with one another.

### Timesheets or Timestudies

It is important that employees have timesheets or timestudies when their time is charged to a government contract. All staff of nonprofit contractors must keep timesheets or timestudies, including the executive director, staff who work less than full time, and exempt employees who work more than forty hours per week.

The timesheet or timestudy should clearly indicate the number of hours worked and on what project the employee was working. By indicating on what projects and hours an employee works, timesheets or timestudies provide the rationale for cost allocation, or how much of an employee's paid time should be fairly allocated to a specific funding source. Timesheets and timestudies are the only way to make sure that payroll charges reimbursed by the City are justified.

### Timesheet or Timestudy Signatures Required

All staff must have their timesheets or timestudies approved by their manager/superior. The timesheet or timestudy should be signed by BOTH the employee and their supervisor in ink. If errors are corrected, the timesheet or timestudy needs to be re-signed in ink. E-timesheets are acceptable. It is a best practice for contractors to print out e-timesheets and have managers/ supervisors sign these in ink. However, if the Contractor can explain and demonstrate the organization's internal controls for e-timesheet or e-timestudy approval by a manager, the hard copy signature requirement can be waived at the discretion of the City monitor.

If the executive director does not have either a timesheet or a timestudy, it is a monitoring finding. It is a best practice for either a board of directors (BOD) member or the chief finance officer (CFO) to sign the executive director's timesheet or timestudy because it ensures that all paid leave is properly recorded and accounted. While it is a best practice, the BOD or CFO signature on the executive director's timesheet is not requirement for this monitoring at this time.

#### Timesheet vs. Timestudy

Timesheets track specific numbers of hours worked on a daily or weekly basis.

Timestudies are expressed as percentages spent on particular tasks/ projects– this format is often used for exempt or non hourly employees. However, there must be a time keeping system in place that captures the precise hours worked so that the accuracy of the percentages can be checked on a regular basis – at least annually and preferably more frequently.



**Reviewing Employee’s Hours Charged to City Contracts**

When you are conducting the site visit, ask for the timesheets or timestudies for specific staff for the sample months you have selected to investigate. Know in advance whether staff are dedicated 100% to the program or are less than a Full-Time Equivalent (FTE). If a person is less than 1 FTE to the program, the time-tracking system should clearly indicate how the person’s time is billed. Select 3-7 employees and ask for verification of timesheets/timestudies. If you see problems with these timesheets, ask for additional timesheets to better understand the problems.

*Payroll register (also sometimes called the “payroll journal”)* – Request the payroll register from the nonprofit Contractor to verify hours reported on the timesheet or timestudy for staff funded by City contracts for the monitoring months under review. Reasonable hours should be determined by the type of services performed and the Contractor’s personnel procedures. Note any discrepancies, and confer with the Contractor before concluding that there is a problem. The payroll register will not only tell you the gross pay for each staff person, but will also indicate how many hours were paid from sick pay, vacation or overtime, and how much was taken out for such things as payroll taxes.

**Standard Monitoring Form Checklist:**

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The following parts of the Standard Monitoring Form pertain to payroll:

<p><b>1H. Payroll</b></p> <p><input type="checkbox"/> a. State (DE6) and federal (941) payroll tax returns were filed by the end of the month following the end of the quarter for monitoring months under review</p> <p><input type="checkbox"/> b. Employees paid with City funds listed on invoices checked in Section 1G above are listed on the DE6 for the quarter(s) that includes the monitoring months under review</p> <p><input type="checkbox"/> c. Payroll taxes due were actually paid</p> <p><b>Timesheets:</b></p> <p><input type="checkbox"/> d. If employee time is paid by more than one source, it is recorded by funding source or program on timesheets</p> <p><input type="checkbox"/> e. Employee &amp; supervisor signatures on timesheets in ink</p> <p><input type="checkbox"/> f. All changes to timesheet are initialed by supervisor in ink</p> <p><input type="checkbox"/> g. Employees and hours charged to City contracts agree to timesheets and to payroll journals</p> <p><i>(Guidance to City staff: request and review the Contractor’s DE6 and 941 returns, payroll tax verification, bank statements, select employee timesheets, and payroll register/ journal for the months under review.)</i></p>
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➡ **MONITORING TIP:** Request and review the Contractor’s DE6 and 941 returns, payroll tax verification, bank statements, select employee timesheets, and payroll register for the months under review.





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Here are some quick check-points to help you verify compliance with the **1H. Payroll** check boxes:

- **(a)** Ask for a copy of the Contractor's filed DE6 and 941 payroll tax returns for the quarters that represent the monitoring months you have selected. Returns should be filed on a quarterly basis and by the end of the month following the end of the quarter for the monitoring months under review.
- **(b)** Ensure that staff paid with City funds listed on invoices reviewed are listed on the DE6 for the quarter under review
- **(c)** Ask for a copy of the payroll register/journal and bank statement/cleared check that demonstrates that the Contractor paid the taxes for the quarters that represent the monitoring months you have selected
- **(d)** For each selected employee (recommended 3–7 funded by City contracts), verify that the employee's time is recorded by cost center (program or funding source) for the monitoring months in question. If you see problems with these timesheets/timestudies, ask for additional timesheets/ timesheets to better understand the problems.
- **(e and f)** The employee and supervisor should sign every timesheet/timestudy in ink, and any changes must be signed by the manager in ink. Select 3-7 employees funded by the City and review their timesheets/timestudies for the monitoring months in question. E-timesheets are acceptable and should be printed out and signed in ink by a manager unless the Contractor can clearly demonstrate an adequate electronic signature/electronic approval process.
- **(g)** Verify the hours reported on the timesheet or timestudy by staff funded by the City, including regular hours worked, and check that any sick, vacation or other time matches the payroll register/journal. Reasonable hours should be determined by the type of services performed and the Contractor's personnel procedures. Note any discrepancies, and confer with the Contractor before concluding that there is a problem. The payroll register/journal will not only tell you the gross pay for each staff person, but will also indicate how many hours were paid from sick pay, vacation or overtime



## SECTION 2: COMPLIANCE REVIEW

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### *Task 2A: Board Minutes*

#### **Board Overview**

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Boards of Directors are ultimately legally responsible for the finance cycle and health of an organization in exercising their fiduciary responsibility. To meet this responsibility the Board should:

- Set a strategic plan, including the mission of the organization
- Approve the budget on an annual basis
- Approve personnel policies
- Review monthly reports of budget to actual
- Hire an outside auditor and understand both the audited financial statements and management letter

#### **Who is on the Board?**

The Board should be made up of an independent group of people. During your monitoring, you should ask for a current Board roster and review it for:

1. Paid City employees
2. Members of any City commissions
3. The Executive Director

City employees and commissioners are also allowed to be on the Board of Directors, but they must recuse themselves from voting on all matters related to contracting with any City department.

Legally, the California Corporations Code (§ 5227) permits staff members to be on nonprofit Boards of Directors as long as 50% or more of the Board members are neither staff nor "interested parties" (such as relatives of paid staff). The executive director should not be a voting member of the Board of Directors because the Board is responsible for managing and evaluating the executive director, thus creating a conflict of interest. Having the executive director in a non-voting role on the Board is considered a best practice.

#### **Board Minutes**

Nonprofits should take minutes at every meeting to record discussions, decisions taken, and attendance. In addition, is a best practice for the Board Secretary to sign Board minutes, and City monitors should encourage nonprofits to do so in cases in which Board minutes are unsigned.



## Additional Resources

More resources on nonprofit Board of Directors can be found at the following sites:

- o Compasspoint’s nonprofit “Board Café” website furnishes free advice to not-for-profits via 164 frequently asked questions (FAQs) covering Board development and organizational development among other topics of interest. Link: [www.compasspoint.org/board-cafe](http://www.compasspoint.org/board-cafe)
- o Idealist’s Nonprofit FAQs is based on questions and answers about nonprofit organizations exchanged on the Internet since 1994. Link: <http://www.idealists.org/info/nonprofits>

## Standard Monitoring Form Checklist

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The following part of the Standard Monitoring Form pertains to the Board Minutes:

**2A. Board Minutes**

a. Minutes show that if a paid City employee or City commission member is on the Board, he or she did not vote on items related to City contracts with their affiliated City department (excluding vote on Agency-Wide Budget)

b. Minutes show that if the Executive Director is a member of the Board, he or she is a non-voting member

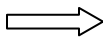
c. Minutes show current agency-wide budget approved

d. Minutes show that financial reports are shared with the Board on a regular basis

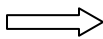
e. Minutes show that the Board of Directors conducted Executive Director performance review within the past year (pilot)

f. Minutes show that the Board of Directors reviewed the organization’s bylaws within the past two years for effectiveness and adherence to legal requirements (pilot)

*(Guidance to City staff: request and review the Board roster and minutes.)*



**MONITORING TIP:** During your site visit monitoring, request and review the Board roster and minutes to certify the above items. If the Board roster and minutes do not show any of the above – ask the Contractor to explain.



**TIMESAVERING TIP:** Request and review the Board minutes in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.

Here are some quick check-points to help you verify compliance with the **2A. Board Minutes** check boxes:

- **(a)** Request the current Board of Directors roster.
- **(b)** Review the roster to see if it has any paid City employees and/or commissioners.
- **(c)** If there are paid City employees or commissioners on the Board, these individuals should not vote on items relating to any City contracts held by their affiliated City department. However, these Board members can vote on the Agency-Wide Budget even if it contains contracted dollars from their affiliated City department.
- **(d)** It is sufficient to ask the Contractor to disclose information concerning whether or not these individuals voted; checking actual minutes in this regard may be done at the discretion of the City monitor but is not required.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- **(e)** Look to see if the current Board of Directors lists the Executive Director as “non-voting” or “ex-officio,” as he or she should not have voting rights during Board Meetings. Board Members provide oversight and governance over the organization, which includes the Executive Director. ”



### ***Task 2B, C, D: Board Meetings, Public Access to Records, and Community Representation***

Nonprofit contractors that receive \$250,000 or more in City funds must comply with San Francisco's Non-Profit Public Access Ordinance, established through the Sunshine Ordinance, (see Chapter 12L of the San Francisco Administrative Code). The intent of this Ordinance is to establish a policy wherein the City ensures that nonprofit organizations with which the City chooses to do business operate with the greatest possible openness and maintain the closest possible ties to communities they intend to serve.

Per the Ordinance, nonprofit contractors receiving more than \$250,000 in City funds are required to make their organizations operate with the greatest possible openness and maintain the closest possible ties to communities they intend to serve. The \$250,000 threshold includes all funds that come from the City, regardless of the source, (federal and state pass-throughs, special revenue funding as well as the General Fund). This includes:

- Making minutes of Board meetings available
- Having at least two meetings of the Board each year that are open to the public. These meetings must be announced to the general public through the SF Public Library and the Clerk of the Board of Supervisors. These announcements must be made 30 days prior to each meeting.
- Making good-faith efforts to promote the membership, on its Board of Directors, of at least one person who is a recipient of the goods or services of that nonprofit organization.

#### **Board Meeting Overview**

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For every meeting of the Board of Directors, minutes must be taken that reflect any business voted upon during that meeting. These minutes should then be voted on and approved at the subsequent meeting of the Board of Directors. Board minutes should also be signed by the Board's Secretary. A quorum (majority) of Board Members is required to vote on organizational business. A nonprofit's bylaws will provide more specifics concerning what number constitutes a quorum.

#### **Public Access to Records Overview**

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Per the Non Profit Public Access Ordinance, the public is entitled upon request to inspect and copy very specific documents (the nonprofit's most recent budget, most recent tax return and financial audits or performance evaluation completed in the last two years by or for the City, so long as the City has not designated them as confidential). The Ordinance states that the public may inspect these documents during the organizations' regular business hours and receive copies. The nonprofit may charge 10 cents per page for copying.

#### **Community Representation on Board Overview**

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Per the Non Profit Public Access Ordinance, non-profits are required to make a good faith effort to include on its Board at least one member of the community served by the nonprofit. This could be a consumer of the nonprofit's services (but this is not explicitly required). The nonprofit is required to give public notice of Board



# CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

vacancies, allow members of the public to nominate themselves for Board membership and allow the public to comment on Board membership.

## Additional Resources

Please see this link for FAQs about:

- o The Sunshine Ordinance: [http://www.sfgov.org/site/sunshine\\_index.asp?id=4418](http://www.sfgov.org/site/sunshine_index.asp?id=4418)
- o The Non Profit Public Access Ordinance, Chapter 12L of the San Francisco Administrative Code: [http://www.sfgov.org/site/sunshine\\_page.asp?id=26963](http://www.sfgov.org/site/sunshine_page.asp?id=26963)

## Standard Monitoring Form Checklist:

The following parts of the Standard Monitoring Form pertain to the Board Meetings, Public Access to Records, and Community Representation on Boards.

<p><b>2B. Board Meetings</b></p> <p><input type="checkbox"/> a. At least two meetings with quorum status are open to the public each year</p> <p><input type="checkbox"/> b. These two meetings are announced to the general public at least 30 days in advance through the SF Public Library and the Clerk of the Board of Supervisors</p> <p><i>(Guidance to City staff: request Contractor to show minutes and other relevant documents to certify above items.)</i></p>
<p><b>2C. Public Access to Records</b></p> <p><input type="checkbox"/> a. Procedures for responding to Sunshine Requests from the public within 10 days of request</p> <p><input type="checkbox"/> b. Policies for requests beyond what is “Sunshineable,” including disputes about access to information</p> <p><i>(Guidance to City staff: request and review policies/ procedures to certify above items.)</i></p>
<p><b>2D. Community Representation on Board</b></p> <p><input type="checkbox"/> a. By-laws include requirements for community representation on Board, or, Contractor makes other efforts to ensure community representation</p> <p><i>(Guidance to City staff: it is sufficient to ask Contractor to disclose information)</i></p>

➡ **MONITORING TIP:** During your site visit monitoring, request and review the Board minutes, Contractor policies and procedures to certify 2Ba., 2Bb. and 2Ca., 2Cb. If the minutes, policies and procedures do not show any of the above – ask the Contractor to explain. To certify 2Bc. and 2Da., it is sufficient for the Contractor to disclose, or explain, how they meet that requirement.

➡ **TIMESAVERING TIP:** Request and review the Board minutes, policies and procedures in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Here are some quick check-points to help you verify compliance with the **2B. Board Meetings, 2C. Public Access to Records, and 2D. Community Representation on Boards** check boxes:

- **(a)** Does this Contractor? If they receive at least \$250,000 in City funds, (regardless of the source), the monitor should answer 2B, 2C and 2D below. **If the Contractor does not, the monitor should skip this 2B, 2C and 2D and proceed to 2E.**
- **(b)** Review minutes for the past twelve months and note whether or not there is a quorum, or a majority of members, documented.
- **(c)** Ask the Contractor which of those meetings were open to the public.
- **(d)** Ask the Contractor to describe if they have provided the proper notification of Board meetings to the Clerk of the Board of Supervisors (City Hall, Room 244, SF, CA 94102) and to the San Francisco Main Library Government Information Center (100 Larkin St, SF, CA 94102).
- **(e)** Ask the Contractor for documentation of policies for managing public information requests.
- **(f)** Ask the Contractor for documentation in the by-laws concerning community representation on Board.
- **(g)** If there is no such information in the by-laws, ask Contractor to explain about efforts to ensure community representation on the Board. Methods used by nonprofits to accomplish this is through reasonable outreach, allowing the public to comment on the Board Member nomination process at meetings, and allowing the public to nominate people for the Board of Directors.



**Task 2 E & F: Governance – Board of Directors Work Plan, Roles & Responsibilities**

**Board of Directors Governance Overview**

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Nonprofit governance is the provision of guidance and direction to a nonprofit organization so that it fulfills its vision and reflects its core values, while maintaining accountability and fulfilling its responsibilities to the community, its constituents and government with which it functions.<sup>1</sup>

Healthy and sustainable organizations have engaged Board of Directors, with systems in place to help ensure the Board's active participation in resource development and organizational oversight. Boards of Directors are responsible:

- To ensure that the organization stays in compliance with laws and regulations relating to nonprofit corporations;
- To determine the organization's mission, strategies and program priorities;
- To ensure that the organization uses its resources towards fulfillment of its tax-exempt purpose as stated in its application for exemption, and
- For the hiring and firing (when appropriate) of an executive director/CEO to manage the corporation.

**Standard Monitoring Form Checklist**

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The following part of the Standard Monitoring Form pertains to Board of Directors Governance<sup>2</sup>:

<p><b>2E. Board of Directors Work Plan/Handbook (pilot)</b></p> <p><input type="checkbox"/> a. Current (fiscal or calendar year)</p> <p><input type="checkbox"/> b. Lists meeting dates for current fiscal or calendar year</p> <p><input type="checkbox"/> c. Schedules regular review of financial documents and program goals</p> <p><input type="checkbox"/> d. Schedules Executive Director performance review</p> <p><input type="checkbox"/> e. Proposes Board of Directors fundraising plan for fiscal or calendar year</p> <p><i>(Guidance to City staff: request and review Work Plan/Board Handbook or similar documentation.)</i></p>
<p><b>2F. Board of Directors Roles &amp; Responsibilities (pilot)</b></p> <p><input type="checkbox"/> a. Job descriptions have been developed for Board leader positions (e.g. President, Vice President, Treasurer, Secretary)</p> <p><input type="checkbox"/> b. Board has a written policy as to how Board leaders are selected</p> <p><input type="checkbox"/> c. Bylaws define Board of Directors term limits, quorum, committee structures, and voting/decision-making process</p> <p><i>(Guidance to City staff: request and review bylaws and Work Plan/Board Handbook.)</i></p>

➡ **MONITORING TIP:** During your site visit monitoring, request and review Bylaws, Board roster, Board minutes and other relevant documents to certify above items. Note that it is acceptable if agencies

<sup>1</sup> Governance Affinity Group, Alliance for Nonprofit Management  
<sup>2</sup> Adapted from CompassPoint Nonprofit Services, <http://www.compasspoint.org>





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

*do not have a formal Board of Directors Work Plan or Board Handbook, as long as the standards listed above are incorporated into similar documentation by the agency.*

⇒ **MONITORING TIP:** *The regular review of financial documents and program goals may be reflected through the Board treasurer's report or finance chair's report.*

⇒ **TIMESAVINGS TIP:** *Request and review the Contractor's Bylaws, Board roster, Board minutes and other relevant documents in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.*

⇒ **MONITORING TIP:** *As a best practice – but not a monitoring finding – the Board of Directors collectively should have the combination of skills (e.g. finance, governance, facilitation, fundraising, etc.), experience, and constituency representation necessary to carry out its work. This point is a good one to make when discussing Board of Directors roles and responsibilities.*



**Task 2G: Subcontracts**

**Subcontracts Overview**

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It is understood that at times contractors may need to hire subcontractors (sometimes called “independent contractors”) in order to perform the necessary work under the contract. If the Contractor’s subcontracting arrangement was NOT part of the original contract with the City funding department, the Contractor is required to follow certain procedures when direct costs reach the following levels:

- If direct costs are \$10,000 or more they must follow a formal bidding process:
  - For work between \$10,000 and \$29,000 three written bids must be obtained on a written solicitation.
  - For work \$29,001 and over the Contractor will need to initiate a Request for Proposal process.
- Conflict of interest policies must be followed by both employees of the organization in decision – making positions and members of the Board.
- Family members of people in decision making positions may not benefit from the decisions.
- A written agreement between the Contractor and subcontractor should exist and is subject to City review and approval.
- The Contractor should have a process for timely review and payment of subcontractor invoices. If the subcontractor is a Local Business Enterprise (LBE), the Contractor is required to comply with Ch. 14B of the City’s Administrative Code.

**Standard Monitoring Form Checklist**

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The following part of the Standard Monitoring Form pertains to Subcontracts.

<p><b>2G. Subcontracts</b></p> <p><input type="checkbox"/> a. Procurement procedures in the Contractor’s fiscal policies and procedures were followed by Contractor to select subcontractors</p> <p><input type="checkbox"/> b. Legally binding agreements between Contractor and subcontractors are valid and current</p> <p><input type="checkbox"/> c. Contractor regularly monitors fiscal and programmatic performance of subcontractor</p> <p><i>(Guidance to City staff: request Contractor to explain using specific examples and documents in order to certify the above items.)</i></p>
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➡ **MONITORING TIP:** During your site visit monitoring, request and review the Contractor policies, procedures and supporting documentation to certify the above items. Ask the Contractor to provide specific examples to certify the above items. If the policies, procedures, supporting documentation and explanation do not show any of the above – ask the Contractor to further explain.

➡ **TIMESAVINGS TIP:** Request and review the Contractor’s policies and procedures and supporting documentation in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

Here are some quick check-points to help you verify compliance with the **2H. Subcontracts** check boxes:

- **(a)** Ask the Contractor for documentation of subcontracts pertaining to the City contract.
- **(b)** Refer to the thresholds described in the Subcontracts Overview (above), and depending on the amount of the subcontract, determine which procedures the Contractor should have followed.
- **(c)** Depending on the amount of the subcontract, ask the Contractor to provide documentation of compliance with the proper procedure, for example, if the Contractor is required to get 3 bids, look for documentation of the bids.
- **(d)** Ask the Contractor for evidence that they regularly monitor the fiscal and programmatic performance of any subcontractors pertaining to a City contract.



**Task 2H: Licensure**

**Licensure Overview**

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Certain contracts may contain specific licensing requirements. For example a shelter program may require specific site licenses in order to house people, or a child care facility may require specific licenses and/or fingerprint clearance for the child care providers. Be familiar with the contracts you are monitoring to determine if any specific licenses are required. Licenses may be found in personnel files or at program sites, they may not always be available in the central office, ask the Contractor to supply confirmation of appropriate licenses.

**Standard Monitoring Form Checklist**

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The following part of the Standard Monitoring Form pertains to Licensures.

<p><b>2H. Licenses</b></p> <p><input type="checkbox"/> a. Site licenses required by City contracts are available, verified and current</p> <p><input type="checkbox"/> b. Staff licenses required by City contracts are available, verified and current</p> <p><i>(Guidance to City staff: request to see copies of licenses to certify above items.)</i></p>
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➡ **MONITORING TIP:** During your site visit monitoring, request and review the Contractor's licenses to certify the above items. If the Contractor can not show any of the above – ask the Contractor to explain.

➡ **TIMESAVINGS TIP:** As only certain contracts require specific licensure, check your contract to determine which. Request and review the Contractor's licenses in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.

Here are some quick check-points to help you verify compliance with the **2I. Licenses** check boxes:

- **(a)** As only certain contracts require specific licensure, check your contract to determine which.
- **(b)** Ask the Contractor to show you the appropriate licenses for all staff or sites that apply.



### ***Task 2I: Personnel Policies***

#### **Personnel Policies Overview**

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As noted previously, the Board of Directors should approve the personnel policies for the organization. These policies should be kept current and distributed to staff.

Along with personnel policies, contractors should maintain personnel files for each employee. A quick check of the files should show:

- Job description
- Employment application or résumé
- Employment confirmation or letter of hire
- Salary information including adjustments
- Verification of employee orientation
- Annual TB clearance (required for DPH contracts, meal, aging and dependent adult and children's services)
- Fingerprinting (required for children's services)

Check your contract to determine which and then look for them in the files, or ask the Contractor to show you the appropriate records.

The Human Resource Manager or Office Administrator should have access to these files. In addition, there should be a procedure in place which documents that all employees have read and understood the personnel policies as well as participated in any safety drills or workshops as required. Ask the Contractor for confirmation of all employee participation. This may be in the form of signed lists of attendees or signed statements in personnel files.



## Standard Monitoring Form Checklist

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The following part of the Standard Monitoring Form pertains to Personnel Policies.

### 2I. Personnel Policies

- a. Written and current personnel/employee manual
- b. Evidence that staff were trained regarding personnel policies
- c. Documentation of the following is maintained on file:
  - Job description
  - Employment application or résumé
  - Employment confirmation or letter of hire
  - Salary information including adjustments
  - Verification of employee orientation
  - Annual TB clearance (required for DPH contracts, meal, aging and dependent adult, and children's services)
  - Fingerprinting (required for children's services)

*(Guidance to City staff: request to see manual, documentation that staff have been trained, and check personnel files to certify above items.)*

➔ **MONITORING TIP:** During your site visit monitoring, request and review the Contractor's manual, documentation that staff has been trained and review actual personnel files to certify the above items. If the Contractor can not show any of the above – ask the Contractor to explain.

Here are some quick check-points to help you verify compliance with the **2J. Personnel Policies** check boxes:

- **(a)** Ask the Contractor for the most current personnel/employee manual.
- **(b)** Ask the Contractor for documentation of staff training on personnel policies.
- **(c)** Ask the Contractor for employee files so that you may review them for the documents listed in 2Gc. If there is a significant number of staff members involved in the month you are reviewing, take a random sample of employee files and only review those.
- **(d)** As only certain contracts require TB clearance or fingerprinting, check your contract to determine if the employee files you are reviewing should contain documentation of TB clearance or fingerprinting.



**Task 2J: Emergency Operations Plan**

**Emergency Operations Plan Overview**

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One of the key items that Hurricane Katrina demonstrated was the importance of the role of community based organizations in responding to a disaster. We witnessed this firsthand in San Francisco during and after the Loma Prieta earthquake. Being prepared includes a plan for the nonprofit directing its staff in the steps that should take place so that the nonprofit may continue performing its critical programs and services functions in an acceptable period, following a disaster. The nonprofit’s Human Resource Manager or Office Administrator may be of assistance for this task. In particular contractors are required to have:

- Written emergency operations plan
- Business contingency planning including an alternate site, if needed
- Evidence that staff and volunteers were trained on the emergency plan in the last year
- One fire drill and one earthquake drill per site per year
- Current elevator permit (if applicable)
- Current fire inspections (if applicable)

**Additional Resources**

More resources on emergency preparedness can be found at the following sites:

- SF CARD (Community Agencies Responding to a Disaster). Link: [www.sfcad.org](http://www.sfcad.org)
- Red Cross. Link: [www.sfbay.org](http://www.sfbay.org)
- Prepare Now. Link: [www.preparenow.org](http://www.preparenow.org)
- San Francisco Office of Emergency Services. Link: [www.72hours.org](http://www.72hours.org)

**Standard Monitoring Form Checklist**

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The following part of the Standard Monitoring Form pertains to the Emergency Operations Plan.

<p><b>2J. Emergency Operations Plan</b></p> <p><input type="checkbox"/> a. Written emergency operations plan</p> <p><input type="checkbox"/> b. Plan contains contingency planning, including an alternate site, if needed</p> <p><input type="checkbox"/> c. Plan contains business continuity arrangement</p> <p><input type="checkbox"/> d. Staff and volunteers were trained within the last year on the emergency plan</p> <p><input type="checkbox"/> e. At least one fire drill and one earthquake drill have been conducted in last year</p> <p><input type="checkbox"/> f. Elevator permit is current (if building owned by the Contractor)</p> <p><input type="checkbox"/> g. All sites have received fire inspections (if required)</p> <p><i>(Guidance to City staff: request and review plan, permits, and inspection certifications if required; it is sufficient to ask Contractor to disclose information regarding training and drills (c and d).)</i></p>
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➡ **MONITORING TIP:** During your site visit monitoring, request and review the plan, documentation of training and drills, and permits and inspection certifications, if required, to certify the above items. If the Contractor can not show any of the above – ask the Contractor to explain.

➡ **TIMESA VINGS TIP:** As only certain contracts require contingency planning, elevator permits and fire inspections, check your contract to determine which. Request and review the Contractor's emergency



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

*operations plan in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.*

Here are some quick check-points to help you verify compliance with the **2K. Emergency Operations Plan** check boxes:

- **(a)** Ask the Contractor to show you a copy of the emergency plan.
- **(b)** Review emergency plan for contingency planning that may include alternate sites, phone tree, and any additional elements that seems relevant to maintaining the safety of staff and clients.
- **(c)** Ask the Contractor for a copy of the business contingency plan, if not included in the emergency plan.
- **(d)** Ask the Contractor for evidence that staff and volunteers were trained in last year on the emergency plan.
- **(e)** Ask the Contractor for documentation that staff have participated in emergency drills in the last year.
- **(f)** Ask the Contractor for any pertinent permits and evidence of safety measures on site.





**Task 2K: American with Disabilities Act**

**American with Disabilities Act (ADA) Overview**

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The programs, services, activities and facilities of the City and County of San Francisco’s Contractors must be fully accessible, or useable by people with disabilities. In particular, Contractors are expected to have:

- Policies and procedures in place to allow people with disabilities to participate and benefit from the services and program.
- These policies and procedures contain an agency-wide ADA grievance procedure
- Staff is trained regarding Contractor’s ADA policies and procedures

**Additional Resources**

The Mayor’s Office on Disability (MOD) website contains several resources for nonprofits in the area of ADA compliance. Link <http://www.sfgov.org/mod>

**Standard Monitoring Form Checklist**

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The following part of the Standard Monitoring Form pertains to the Americans with Disabilities Act.

<p><b>2K. Americans with Disabilities Act (ADA)</b></p> <p><input type="checkbox"/> a. Written policies and procedures to allow people with disabilities to benefit from services and containing an agency-wide ADA grievance procedure</p> <p><input type="checkbox"/> b. Staff is trained regarding Contractor’s ADA policies and procedures</p> <p><i>(Guidance to City staff: request to see policies and procedures to verify item a; it is sufficient to ask Contractor to disclose information regarding b.)</i></p>
---

➡ **MONITORING TIP:** During your site visit monitoring, request to see policies and procedures to verify item a. It is sufficient to ask Contractor to disclose or verbally verify that staff is trained to verify b. If the Contractor can not verify the above, ask the Contractor to explain.

➡ **TIMESAVINGS TIP:** Request and review the Contractor's written policies and procedures in advance of the site visit monitoring and come prepared to discuss any questions or concerns with the nonprofit Contractor.

Here are some quick check-points to help you verify compliance with the **2L. Americans with Disabilities Act** check boxes:

- **(a)** Ask the Contractor to show you a copy of their ADA policies and procedures allowing people with disabilities to participate and benefit from the services and program.
- **(b)** Check to see if the ADA policies and procedures include a grievance procedure.
- **(c)** Ask the Contractor to disclose if staff has been trained on the Contractor’s ADA policy and procedures.



## **COMMENT AND SIGNATURE PAGE**

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Congratulations! You have completed your site visit and are well on your way to completing the Standard Monitoring Form: Fiscal & Compliance. The final page of the form provides you with additional space for comments or recommendations that may not have “fit” in any other particular task or category. Our goal is to make the process as easy and useful as possible and if you discover areas that you would have liked to be monitored feel free to express your observations here. Don’t forget to sign and date the form and pat yourself on the back! Thank you for participating in this crucial portion of service to our contractors and the City and County of San Francisco.



## **V. RISK ASSESSMENT CRITERIA AND STANDARD MONITORING FORM**

See following pages.



**CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines**

**FY2010-11 Joint Fiscal & Compliance Monitoring  
Nonprofit Contractor Risk Assessment**

Note: this is a public document and will be shared with the nonprofit contractor upon request.

**I. Contractor Information**

**Nonprofit Contractor:**

**Your Department:**

**Program Manager/Officer Name:**

**Other Staff who Should be Contacted in your Department (knowledge of contractor, previous monitoring ...)**

**II. Criteria - Check all that Apply**

Check box	The Contractor:	Notes
	Has not received a site visit-based monitoring in the last two years.	<i>Automatically receives site visit</i>
	Provides services that must, due to program type or funding source, receive physical site visits each year.	<i>Automatically receives site visit Specify:</i>
.	Has shown areas of significant concern in previous monitoring reports, and corrective action(s) were not taken within one year.	<i>Automatically receives site visit</i>
.	Has consistently submitted required fiscal reports late or not at all, or lacked required documentation.	<i>Automatically receives site visit</i>
.	Has material weaknesses, noncompliance or reportable conditions in its most recent audited financial statements.	
.	Has experienced other significant events related to the services provided (i.e., changes in key staff, program direction or mission)..	

**General Comments on Contractor Performance**

**III Your Department's Recommendation**

**(Recommendation should be consistent with Section II)**

**Monitoring Type**

**SITE VISIT**                       **SELF ASSESSMENT**                       **WAIVER\***

If **WAIVER** checked, please confirm that the nonprofit agency meets criteria (see back of the form)

**Capacity Building**

Should we target this nonprofit agency in our capacity building outreach?                      **Yes**                      **No**

<b>Steering Committee Representative</b>	Signature	Date
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## WAIVER FOR GOOD PERFORMANCE CRITERIA

A waiver may only be provided to a contractor if:

- There are no fiscal and compliance monitoring/ audit findings from last two years from either the citywide fiscal and compliance monitoring, external audit, or, if applicable, the A-133 audit
- All City departments that are providing funding to the contractor have been doing so for at least two years
- There has been no turnover in the Executive Director or Chief Financial Officer position within the past two fiscal years
- The contractor submitted their external audit (and, if applicable, A-133 audit) on time to the City
- City staff members have posted Monitoring Report Letters for the contractor from last two years to COOL
- The contractor received a fiscal and compliance monitoring site visit within the last two years
- The contractor has not received a waiver within the last three years

A contractor must receive a fiscal and compliance monitoring site visit in the year immediately following the granting of the waiver

As a reminder, all contractors must receive a site visit monitoring at least once every three years.





1. FISCAL REVIEW	
Tasks	Comments
<p><b>1A. Agency-wide Budget</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> a. Current (fiscal or calendar year)</li> <li><input type="checkbox"/> b. Shows income and expense by funding source or program</li> <li><input type="checkbox"/> c. Shows allocation of shared and indirect costs by funding source or program</li> <li><input type="checkbox"/> d. Shows fundraising separate from program expense</li> <li><input type="checkbox"/> e. Clearly identifies all funding sources</li> <li><input type="checkbox"/> f. 15% of funding from non-City sources</li> </ul> <p><i>(Guidance to City staff: request and review the agency-wide budget to certify above items; ask Contractor if there is any missing information.)</i></p>	
<p><b>1B. Cost Allocation Procedures</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> a. Process for cost allocation procedures and plan for <u>shared</u> costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget</li> <li><input type="checkbox"/> b. Process for allocating <u>shared</u> program costs is consistent and reasonable</li> <li><input type="checkbox"/> c.. Process for cost allocation procedures and plan for <u>indirect</u> costs is documented in a written narrative or in the footnotes of the current approved agency-wide budget</li> <li><input type="checkbox"/> d. Process for allocating <u>indirect</u> costs is consistent and reasonable</li> </ul> <p><i>(Guidance to City staff: request and review the agency-wide budget or written cost allocation narrative to certify the above.)</i></p>	
<p><b>1C. Audited Financial Statements</b></p> <p><b>For All Organizations:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> a. Complete: all sections and statements included; opinion and other audit letters are signed</li> <li><input type="checkbox"/> b. Unqualified opinion</li> </ul> <p><b>For Organizations which received a Management Letter:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> c. Management letter has been signed by the audit firm</li> <li><input type="checkbox"/> d. For any prior year findings, the Contractor has provided you with a reasonable explanation of how the Contractor has corrected all the findings</li> </ul> <p><b>For Organizations which had A-133 Audit:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> e. No material weaknesses mentioned</li> <li><input type="checkbox"/> f. No current findings and/or questioned costs</li> <li><input type="checkbox"/> g. For any prior year findings, the Contractor has provided you with a reasonable explanation of how the Contractor has corrected all the findings</li> </ul> <p><i>(Guidance to City staff: request and review the Contractor's external audit, including the management letter if available (a-d); an A-133 audit should have been conducted if the Contractor spent over \$500,000 in federal funds (e-g).)</i></p>	



1. FISCAL REVIEW	
Tasks	Comments
<p><b>1D. Tax Form</b></p> <p><input type="checkbox"/> a. Federal 990 return filed or extended and submitted on time</p> <p><i>(Guidance to City staff: "on time" is 4.5 months after the close of the fiscal period, although extensions are allowed; date of submission is on page 9.)</i></p>	
<p><b>1E. Fiscal Policies &amp; Procedures</b></p> <p><input type="checkbox"/> a. Current (updated to reflect prior site visit or audit recommendations)</p> <p>In writing, contains at a minimum:</p> <p><input type="checkbox"/> b. Internal controls (safeguarding of assets, authorization of transactions, reconciliation of accounting records)</p> <p><input type="checkbox"/> c. Financial reporting</p> <p><input type="checkbox"/> d. Accounts payable</p> <p><input type="checkbox"/> e. Accounts receivable</p> <p><input type="checkbox"/> f. Petty cash</p> <p><input type="checkbox"/> g. Payroll</p> <p><i>(Guidance to City staff: request and review fiscal policy and procedures to certify above items.)</i></p>	
<p><b>1F. Financial Reports</b></p> <p><b>Balance Sheet (a.k.a. Statement of Financial Position):</b></p> <p><input type="checkbox"/> a. Current (as of the last four months, at least)</p> <p><input type="checkbox"/> b. Overall cash balance is positive</p> <p><input type="checkbox"/> c. Current assets exceed current liabilities by 2 to 1</p> <p><input type="checkbox"/> d. Current bank reconciliation (as of the last four months, at least)</p> <p><b>Profit and Loss Statement (a.k.a. Statement of Activity):</b></p> <p><input type="checkbox"/> e. Current (as of the last four months, at least)</p> <p><input type="checkbox"/> f. Shows year-to-date (YTD) income and expense by program/contract/ funding source, including indirect costs</p> <p><input type="checkbox"/> g. Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year</p> <p><i>(Guidance to City staff: request and review the Contractor's most recent balance sheet, bank reconciliation, and profit and loss statement to certify the above items. Note that item 1Fb is strongly recommended but not required for City monitors to complete.)</i></p>	





1. FISCAL REVIEW	
Tasks	Comments
<p><b>1G. Invoices</b></p> <p><b>Expenses:</b></p> <p><input type="checkbox"/> a. Expenses tested on invoices have supporting documentation: credit card charges and/or petty cash expenditures are all documented with an original receipt and reasonably tie to the cost allocation plan.</p> <p><input type="checkbox"/> b. Contractor follows its policies for writing checks, credit card use, petty cash use, and/or reimbursement for expenses tested on invoices</p> <p><input type="checkbox"/> c. Tested expenses on invoices appear to be reasonably associated with the program budget</p> <p><b>If Units of service contract (usually DPH contracts only):</b></p> <p><input type="checkbox"/> d. Units of service provided are documented and agree with invoices</p> <p><b>If payments to subcontractors are included on invoices:</b></p> <p><input type="checkbox"/> e. Subcontractor authorized by contract</p> <p><input type="checkbox"/> f. Contractor paid its subcontractors' invoices per the schedule established in the subcontracting agreement and/or prior to receiving City reimbursement for the services delivered</p> <p><input type="checkbox"/> g. Subcontractor invoices show basis for work billed as performed (units of service, hours, reimbursable costs)</p> <p><i>(Guidance to City staff: test selected expenses on selected invoices, requesting documentation and explanation from Contractor as needed (a-d); request and review subcontracting agreement &amp; invoices as needed for select months (e-g).)</i></p>	
<p><b>1H. Payroll</b></p> <p><input type="checkbox"/> a. State (DE6) and federal (941) payroll tax returns were filed by the end of the month following the end of the quarter for monitoring months under review</p> <p><input type="checkbox"/> b. Employees paid with City funds listed on invoices checked in Section 1G above are listed on the DE6 for the quarter(s) that includes the monitoring months under review</p> <p><input type="checkbox"/> c. Payroll taxes due were actually paid</p> <p><b>Timesheets:</b></p> <p><input type="checkbox"/> d. If employee time is paid by more than one source, it is recorded by funding source or program on timesheets</p> <p><input type="checkbox"/> e. Employee &amp; supervisor signatures on timesheets in ink</p> <p><input type="checkbox"/> f. All changes to timesheet are initialed by supervisor in ink</p> <p><input type="checkbox"/> g. Employees and hours charged to City contracts agree to timesheets and to payroll journals</p> <p><i>(Guidance to City staff: request and review the Contractor's DE6 and 941 returns, payroll tax verification, bank statements, select employee timesheets, and payroll register/ journal for the months under review.)</i></p>	



2. COMPLIANCE REVIEW	
Tasks	Comments
<p><b>2A. Board Minutes</b></p> <p><input type="checkbox"/> a. Minutes show that if a paid City employee or City commission member is on the Board, he or she did not vote on items related to City contracts with their affiliated City department (excluding vote on Agency-Wide Budget)</p> <p><input type="checkbox"/> b. Minutes show that if the Executive Director is a member of the Board, he or she is a non-voting member</p> <p><input type="checkbox"/> c. Minutes show current agency-wide budget approved</p> <p><input type="checkbox"/> d. Minutes show that financial reports are shared with the Board on a regular basis</p> <p><input type="checkbox"/> e. Minutes show that the Board of Directors conducted Executive Director performance review within the past year (pilot)</p> <p><input type="checkbox"/> f. Minutes show that the Board of Directors reviewed the organization's bylaws within the past two years for effectiveness and adherence to legal requirements (pilot)</p> <p><i>(Guidance to City staff: request and review the Board roster and minutes.)</i></p>	
<p>Does the Contractor receive at least \$250,000 in City funds? <input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>If YES, the Sunshine Ordinance applies and monitor should answer 2B, 2C and 2D below.</p> <p><b>If NO, Monitor should skip 2B, 2C and 2D below and proceed directly to 2E.</b></p>	
<p><b>2B. Board Meetings</b></p> <p><input type="checkbox"/> a. At least two meetings with quorum status are open to the public each year</p> <p><input type="checkbox"/> b. These two meetings are announced to the general public at least 30 days in advance through the SF Public Library and the Clerk of the Board of Supervisors</p> <p><i>(Guidance to City staff: request Contractor to show minutes and other relevant documents to certify above items.)</i></p>	
<p><b>2C. Public Access to Records</b></p> <p><input type="checkbox"/> a. Procedures for responding to Sunshine Requests from the public within 10 days of request</p> <p><input type="checkbox"/> b. Policies for requests beyond what is "Sunshineable," including disputes about access to information</p> <p><i>(Guidance to City staff: request and review policies/ procedures to certify above items.)</i></p>	



2. COMPLIANCE REVIEW	
Tasks	Comments
<p><b>2D. Community Representation on Board</b></p> <p><input type="checkbox"/> a. By-laws include requirements for community representation on Board, or, Contractor makes other efforts to ensure community representation</p> <p><i>(Guidance to City staff: it is sufficient to ask Contractor to disclose information.)</i></p>	
<p><b>2E. Board of Directors Work Plan/Handbook (pilot)</b></p> <p><input type="checkbox"/> a. Current (fiscal or calendar year)</p> <p><input type="checkbox"/> b. Lists meeting dates for current fiscal or calendar year</p> <p><input type="checkbox"/> c. Schedules regular review of financial documents and program goals</p> <p><input type="checkbox"/> d. Schedules Executive Director performance review</p> <p><input type="checkbox"/> e. Proposes Board of Directors fundraising plan for fiscal or calendar year</p> <p><i>(Guidance to City staff: request and review Work Plan/ Handbook or similar documentation.)</i></p>	
<p><b>2F. Board of Directors Roles &amp; Responsibilities (pilot)</b></p> <p><input type="checkbox"/> a. Job descriptions have been developed for Board leader positions (e.g. President, Vice President, Treasurer, Secretary)</p> <p><input type="checkbox"/> b. Board has a written policy as to how Board leaders are selected</p> <p><input type="checkbox"/> c. Bylaws define Board of Directors term limits, quorum, committee structures, and voting/decision-making process</p> <p><i>(Guidance to City staff: request and review bylaws and Work Plan/Handbook.)</i></p>	
<p><b>2G. Subcontracts</b></p> <p><input type="checkbox"/> a. Procurement procedures in the Contractor's fiscal policies and procedures were followed by Contractor to select subcontractors</p> <p><input type="checkbox"/> b. Legally binding agreements between Contractor and subcontractors are valid and current</p> <p><input type="checkbox"/> c. Contractor regularly monitors fiscal and programmatic performance of subcontractor</p> <p><i>(Guidance to City staff: request Contractor to explain using specific examples and documents in order to certify the above items.)</i></p>	



2. COMPLIANCE REVIEW	
Tasks	Comments
<p><b>2H. Licenses</b></p> <p><input type="checkbox"/> a. Site licenses required by City contracts are available, verified and current</p> <p><input type="checkbox"/> b. Staff licenses required by City contracts are available, verified and current</p> <p><i>(Guidance to City staff: request to see copies of licenses to certify above items.)</i></p>	
<p><b>2I. Personnel Policies</b></p> <p><input type="checkbox"/> a. Written and current personnel/employee manual</p> <p><input type="checkbox"/> b. Evidence that staff were trained regarding personnel policies</p> <p><input type="checkbox"/> c. Documentation of the following is maintained on file:</p> <ul style="list-style-type: none"> <li>- Job description</li> <li>- Employment application or résumé</li> <li>- Employment confirmation or letter of hire</li> <li>- Salary information including adjustments</li> <li>- Verification of employee orientation</li> <li>- Annual TB clearance (required for DPH contracts, meal, aging and dependent adult, and children's services)</li> <li>- Fingerprinting (required for children's services)</li> </ul> <p><i>(Guidance to City staff: request to see manual, documentation that staff have been trained, and check personnel files to certify above items.)</i></p>	
<p><b>2J. Emergency Operations Plan</b></p> <p><input type="checkbox"/> a. Written emergency operations plan</p> <p><input type="checkbox"/> b. Plan contains contingency planning, including an alternate site, if needed</p> <p><input type="checkbox"/> c. Plan contains business continuity arrangement</p> <p><input type="checkbox"/> d. Staff and volunteers were trained within the last year on the emergency plan</p> <p><input type="checkbox"/> e. At least one fire drill and one earthquake drill have been conducted in last year</p> <p><input type="checkbox"/> f. Elevator permit is current (if building owned by the Contractor)</p> <p><input type="checkbox"/> g. All sites have received fire inspections (if required)</p> <p><i>(Guidance to City staff: request and review plan, permits, and inspection certifications if required; it is sufficient to ask Contractor to disclose information regarding training and drills (d and e).)</i></p>	



**2. COMPLIANCE REVIEW**

Tasks	Comments
<p><b>2K. Americans with Disabilities Act (ADA)</b></p> <p><input type="checkbox"/> a. Written policies and procedures to allow people with disabilities to benefit from services and containing an agency-wide ADA grievance procedure</p> <p><input type="checkbox"/> b. Staff is trained regarding Contractor's ADA policies and procedures</p> <p><i>(Guidance to City staff: request to see policies and procedures to verify item a; it is sufficient to ask Contractor to disclose information regarding b.)</i></p>	

**SIGNATURES**

<b>Lead Department Monitor Signature &amp; Title</b>	<b>Date</b>
<b><u>FOR SELF ASSESSMENTS ONLY:</u></b> <i>I, the authorized representative for the contractor mentioned above, state that the information provided is true and correct to the best of my knowledge.</i>	
<b>Contractor Representative Signature &amp; Title</b>	<b>Date</b>



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### City and County of San Francisco Citywide Nonprofit Corrective Action Policy

#### **I. Department Policies on Corrective Action**

**Definition** - Corrective action by City departments is required when a nonprofit has failed to demonstrate compliance with performance/ monitoring standards laid out in the scope of work included in the agreement between the City and nonprofit service provider. This includes the inability to provide requested documentation within a required timeframe. A clear corrective action process is necessary to ensure nonprofit accountability, compliance with state and federal funding sources, and regular service delivery for San Francisco residents.

**Requirements** - All City departments should have written policies and procedures on nonprofit corrective action consistent with sections II-V below. These should include documented response and follow up to monitoring findings, maintenance of a list of nonprofits on "elevated concern" and "red flag" status, as well as a process for following up nonprofits with such status. In addition, departments should not provide additional funding to nonprofits that have elevated concern or red flag status, and de-funding may be appropriate in cases of red flag status, at the discretion of the division/ department head. In all cases of corrective action, City departments should consider technical assistance as well as dialogue with nonprofit executive directors and board of directors to assist nonprofits to come into compliance.

**Oversight and reporting** - The Controller's Office will maintain and distribute a citywide list of nonprofits of elevated concern and red flag status. The Controller's Office will also periodically review / audit departments' internal controls and compliance with citywide standards on nonprofit corrective action.

#### **II. Standard Monitoring and Corrective Action Process**

**Performance standards and monitoring** - All City departments are responsible for providing risk-based monitoring and oversight to nonprofits in receipt of their funding. This includes fiscal, compliance, and programmatic aspects. Performance and monitoring standards as well as reporting deadlines should be clear and reasonable in all City grants and contracts. In addition to standard monitoring assessments, City departments should make as-needed site visits or inquiries to follow up issues of concern that may arise.

**Documentation** - City departments should document all monitoring activities in writing to the nonprofit service provider, including when a monitoring assessment is conducted and no findings are identified. City departments should document the need for corrective action on program, fiscal, or compliance concerns in writing to the nonprofit service provider. This documentation should take place within one month of the monitoring assessment and should include a letter which lists monitoring findings, states the corrective action needed, and sets a one month deadline for required response from the nonprofit. Note that the nonprofit need not necessarily remedy all issues identified within one month, but the nonprofit must respond with a corrective action plan deemed reasonable by the City within that timeframe. This corrective action plan must also include a timeline for full implementation that the City deems reasonable.



## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

**Verification of compliance** - Once received, department staff should review the nonprofit's corrective action plan and any other associated documentation to verify that the stated actions have/ will result in solving the identified problems in a reasonable timeframe. Within one month of receiving the nonprofit's corrective action plan, if the City department is satisfied with the corrective action plan, the City department should notify the nonprofit in writing that the nonprofit is now in compliance so long as the corrective action plan is implemented as prescribed. The City department must take responsibility for any needed monitoring of the implementation of the corrective action plan.

**Dialogue with nonprofit** - The City department should hold meetings and dialogue with the nonprofit's leadership, including executive committees of boards of directors, as needed and appropriate to help make progress towards corrective action.

**Technical assistance** - The City department should consider whether technical assistance is appropriate in assisting the provider to come into compliance. For fiscal and compliance technical assistance, contact the Citywide Nonprofit Monitoring and Capacity Building Program facilitated by the Controller's Office.

**Nonprofits funded by more than one City department** - For nonprofits that are funded by more than one City department and are part of the citywide monitoring shared monitoring pool, City departments should follow the standard corrective action policies and procedures laid out in the Controller's [Citywide Monitoring Guidelines](http://www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=1370) (<http://www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=1370>)

**Late response to corrective action** - If a nonprofit is late in responding to a monitoring report letter from the City, the City department should follow up via phone, document this in a follow up letter, and set a new deadline of ten business days for response. If a response is still not received in this timeline, a warning letter should be sent stating that the nonprofit will be placed on elevated concern status unless there is a response within ten additional days. If a response is still not received, the nonprofit should be given "elevated concern" status.

**Unsatisfactory response to corrective action** - Once received, if the City department is not satisfied with the nonprofit's corrective action plan, as soon as possible and within one month, the City should write a letter to the nonprofit to address these concerns and provide a reasonable timeframe of ten business days to one month for the nonprofit to amend and resubmit the plan. However, if the City is still not satisfied with the nonprofit's response, the City department should notify the nonprofit within ten business days and place the nonprofit on the department's elevated concern list.

**Noncompliance with corrective action** - If the nonprofit does not comply with their corrective action plan without providing in advance a written explanation deemed reasonable by the City, the City department should place the nonprofit on the elevated concern list.



### **III. Elevated Concern Status - Designation**

**Definition** - Elevated concern is a status designated by the City to a nonprofit when the nonprofit has not successfully completed the standard correction action process (section II above). Elevated concern status occurs when, in a timely fashion, the nonprofit has not:

- Responded to the City's request for corrective action
- Provided a corrective action plan that is acceptable to the City
- Complied with the implementation of their corrective action plan

**Responsibility** - In instances of multi-department funding, the City should designate a lead who will be responsible for coordination and information sharing with other department funders. City departments should issue letters and hold meetings jointly.

**Documentation** - Once a nonprofit is designated as being of elevated concern, the City should notify the nonprofit of this in writing as well as the process for removal from this status. The nonprofit should be notified that they will be less competitive for new grants or contracts from the City until they are again in compliance, and will not meet the minimum qualifications for new grants or contracts until they are in compliance on all standard fiscal and compliance corrective action elements. The nonprofit's executive committee of the board of directors should be copied on the communication.

**De-designation** - The nonprofit should remain on elevated concern status until the nonprofit has provided a satisfactory corrective action plan and fully implemented it, or partially implemented the plan to the satisfaction of the City department(s) in question. The City should make a written response to the nonprofit within one month when a nonprofit re/ submits a corrective action plan and/or updates on implementation progress. The City's response must include either a de-designation of elevated concern status or a clear road map as to the steps the nonprofit needs to take so that the City will remove the status. The City should continue to dialogue with the nonprofit leadership, including the board of directors, to make progress on corrective action and should consider technical assistance, as appropriate.

### **IV. Red Flag Status - Designation**

**Definition** - Red flag status occurs when a nonprofit is a critical service provider at imminent risk of being unable to perform services per their agreement, or unable or unwilling to engage in required corrective action. Red flag status can occur regardless of whether or not a nonprofit already has elevated concern status. A nonprofit is a critical service provider when it is the only or one of the only nonprofits that provide a critical service/ level of services in the City, has a critical and unique cultural competency, and/or has important licenses or facilities that are otherwise difficult to attain.

The following issues can lead to red flag status:

- Cash flow inadequate to ensure successful delivery of services
- Invoicing consistently and significantly inaccurate and/ or late





## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

- Inability to produce basic financial documents such as global budget, cost allocation plan, balance sheet, and profit and loss statement
- Payroll tax forms not submitted for more than one quarter
- Significantly low units of service; far below needed outcome/ output measurements
- Executive Director or CFO turnover resulting in governance and management problems
- Critical safety and legal concerns
- Licensing or facilities problems threatening continued delivery of service
- State/ federal investigations or serious audit results
- Proven, recent cases of fraud or discrimination
- Significant unresolved client complaints

**Responsibility** - A City department/ division head indicates when red flag status is appropriate and is responsible for associated decision-making and coordination. In instances of multi-department funding, the City should designate a lead who will be responsible for coordination and information sharing with other department funders. City departments should issue letters and hold meetings jointly.

**Documentation** - When a City department/ division head designates a nonprofit with red flag status, s/he should in writing inform the nonprofit of the issues, specific requested corrective actions required, and the deadline for completion of each action item. The City's letter should also lay out funding consequences for noncompliance with the requested actions. The nonprofit's executive committee of the board of directors should be copied on the communication and given an opportunity to contest the designation if they disagree with the factual basis for the department's determination that red flag status is warranted. Note that those City departments that provide contracts, not grants, to nonprofits must take disciplinary action per the default provisions in the contract. This includes providing the nonprofit with appropriate notice and an opportunity to cure as specified in the default and termination sections of the contract.

**De-designation** - The nonprofit should remain on the red flag status list until the nonprofit has fully implemented the requested corrective action, or partially implemented corrective action to the satisfaction of the City department(s) in question. The City should make a written response to the nonprofit within one month when a nonprofit sends a letter demonstrating their implementation of corrective action. The City's response must include either a de-designation of red flag status or a clear road map as to the steps the nonprofit still needs to take so that the City will remove the status. The City should continue to dialogue with the nonprofit leadership, including the board of directors, to make progress on the implementation of corrective action and should consider technical assistance, as appropriate.

**De-funding** - De-funding is a possible ultimate sanction for nonprofits that are out of compliance with the City's grant and contract conditions and on the red flag status list, at the discretion of the department/ division head(s). It is important that prior to de-funding a nonprofit, the department allow the nonprofit to present any evidence of their compliance, should the nonprofit contend that the department's underlying determination of deficiencies is erroneous. Note that those City departments that provide contracts, not grants, to nonprofits must take disciplinary action per the default provisions in the contract and defunding may require termination of the contract. Termination for default requires that the nonprofit be given appropriate notice and an opportunity to cure the contract breach.



### **V. Elevated Concern and Red Flag Status – Department Responsibilities**

**Identification of alternative service providers** - City departments should identify appropriate alternative service providers immediately upon designation of a nonprofit to either elevated concern or red flag status. If existing agreements or pre-qualified nonprofits cannot accommodate the service delivery need, the City department should undertake a solicitation process to procure needed services.

**Dialogue with nonprofit leadership** - The City department should hold meetings and dialogue with the nonprofit's leadership, including the executive committee of the board of directors, as needed and appropriate to help make progress on corrective action. The department must also provide the nonprofit's leadership with a reasonable opportunity to respond to the department's determination that serious deficiencies exist which warrant implementation of a corrective action plan.

**Technical assistance** - The City department should consider, on a case-by-case basis, whether technical assistance is appropriate and necessary in assisting the provider to come into compliance. For guidance, tools, and resources on fiscal, governance, and compliance technical assistance (regardless of whether the nonprofit is funded by multiple City departments or just one), contact the Citywide Nonprofit Monitoring and Capacity Building Program facilitated by the Controller's Office. Departments should develop protocols for evaluating and delivering programmatic technical assistance.

**Elevated concern and red flag list** - All departments should keep an ongoing list of those nonprofits with elevated concern and red flag status and the reason(s) why, as well as regularly notify their commissions/ oversight bodies. Departments should also provide these lists to the Controller's Office on a quarterly basis, and the Controller's Office will distribute a consolidated list citywide, including the Mayor's Budget Office and Board of Supervisors.

**Funding limitations** - Departments should not renew or provide additional funds to a nonprofit with red flag or elevated concern status that is due to fiscal or compliance concerns (the monitoring elements in the [citywide nonprofit monitoring form](http://www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=1368) - <http://www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=1368>). Note that nonprofits on the list strictly due to programmatic reasons (e.g., low units of service delivery, concerns with quality of service), are still eligible to apply for additional City funding, but will not receive the highest possible points in RFP/Q rating systems (see next paragraph). City departments should include minimum qualifications in their solicitations that nonprofits must be in "good standing" and in compliance with the City, if they have had prior funding from the City. Nonprofits that have not submitted an approved corrective action plan (e.g., those nonprofits on the elevated concern/ red flag status list) on fiscal and compliance elements are not in good standing and thus will not meet the minimum qualifications required to be eligible for new grant or contract awards. City departments should review the elevated concern/ red flag status list and perform appropriate due diligence in the scoring process and before awarding a grant or contract.

**Incentives for good performance** – In order to provide incentives for good performance, departments are encouraged to include the opportunity for nonprofits applying for City funding to describe their ability to successfully comply with the City's fiscal and compliance standards, and



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to award points in this regard as part of the RFP scoring system, if appropriate and in alignment with the department's solicitation procedures. Departments should also consider providing a similar opportunity for nonprofits that have in the past over performed on their grants/contracts and/or come in under cost, or did not receive any monitoring findings. City departments should balance the usefulness of such incentives with the administrative burden posed to the department to implement them.

**Whistleblower referral** - In cases of suspected/ alleged fraud (as opposed to fiscal mismanagement) City departments should contact the [Controller's Office Whistleblower Program](http://www.sfgov.org/controller/whistleblower) – [www.sfgov.org/controller/whistleblower](http://www.sfgov.org/controller/whistleblower)

**HRC referral** - In cases of suspected/ alleged discrimination, City departments should contact the Human Rights Commission.

**Vendor debarment** – In cases of egregious misconduct, City department heads should pursue debarment against any City-funded nonprofit who engages in any willful misconduct with respect to any City bid, request for qualifications, request for proposals, purchase order and/or contract. This includes failure to comply with grant/ contract terms, unexcused delays, poor performance, and providing false information. Debarment requires a hearing at which the vendor can be represented by an attorney and present facts and evidence refuting the department's allegations of misconduct. The Controller's Office will include debarred nonprofits on the nonprofit elevated concern and red flag status list, and currently posts them on the internet ([http://www.sfgov.org/site/controller\\_index.asp?id=28412](http://www.sfgov.org/site/controller_index.asp?id=28412)). See Chapter 28 of the San Francisco Administrative Code for more information.

**Grievances** - Departments should inform their nonprofit service providers about their dispute resolution procedures as well as that of the Nonprofit Review/ Appellate Panel: <http://sfgsa.org/index.aspx?page=379>



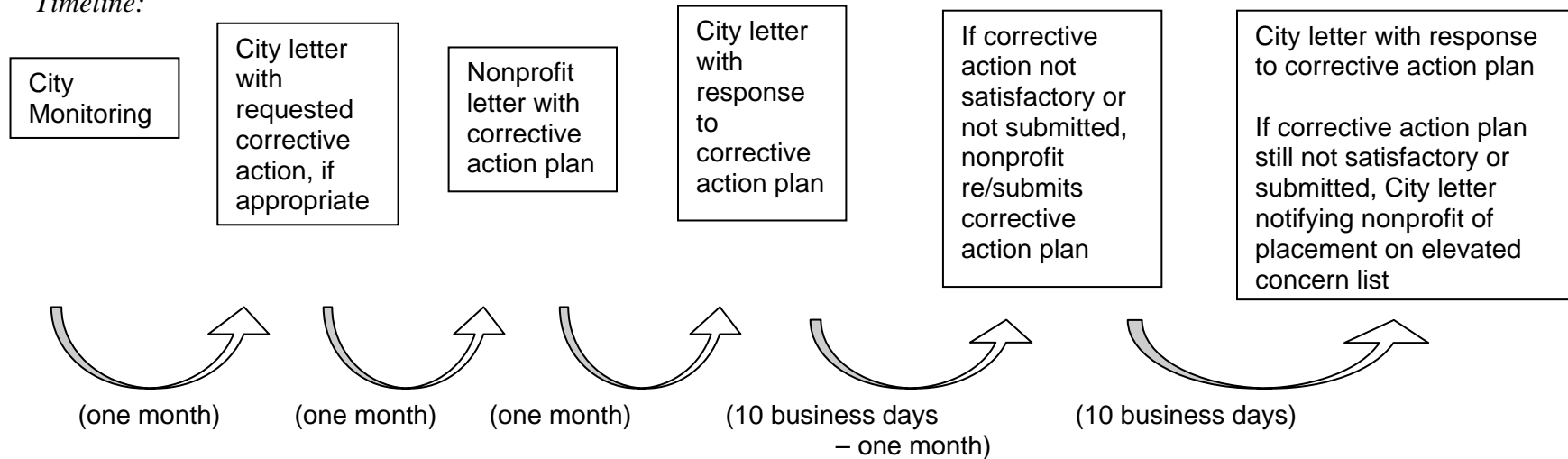
APPENDIX – CITYWIDE CORRECTIVE ACTION POLICY: SUMMARY OF KEY POINTS AND TIMETABLE

**I. Standard Monitoring and Corrective Action Process**

*Key points:*

- City departments are responsible for providing risk-based monitoring and oversight to nonprofits in receipt of their funding and documenting the results
- Performance and monitoring standards as well as reporting deadlines should be clear and reasonable in all City grants and contracts
- The City should dialogue with nonprofit leadership, including the board of directors, to help make progress on corrective action and should consider technical assistance

*Timeline:*



**II. Elevated Concern Status**

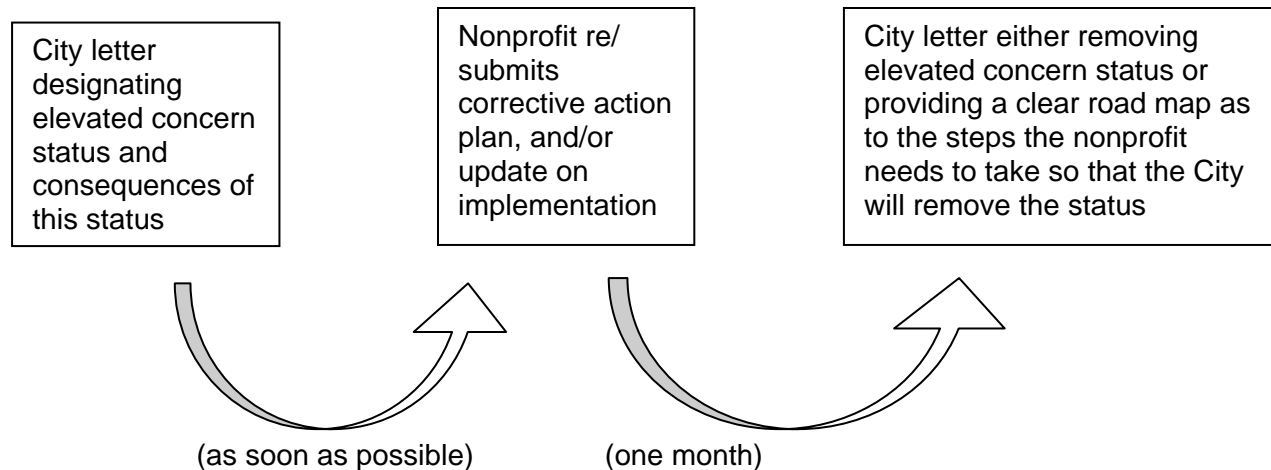


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### *Key points:*

- The City designates elevated concern status when a nonprofit has not, in a timely fashion, responded to the request for corrective action, provided a corrective action plan that is acceptable to the department(s), or complied with the implementation of their corrective action plan (section 1 above)
- A nonprofit remains on elevated concern status until providing a satisfactory corrective action plan and fully implementing it, or partially implementing the plan to the satisfaction of the City
- The City should dialogue with the nonprofit leadership, including the board of directors, to help make progress on corrective action and should consider technical assistance

### *Timeline:*





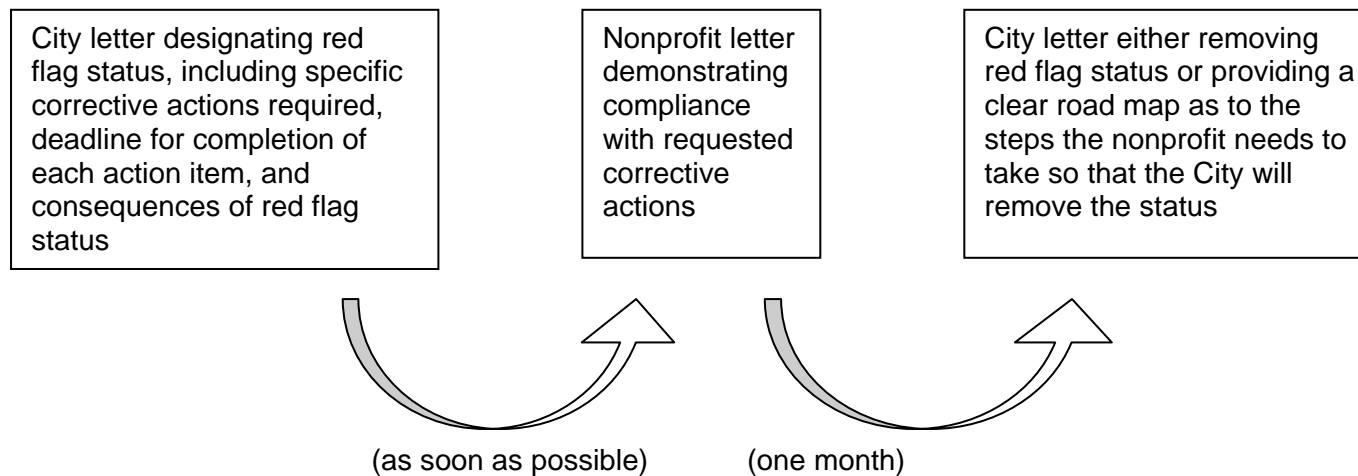
## CCSF Citywide Fiscal and Compliance Nonprofit Monitoring Guidelines

### III. Red Flag Status

#### *Key points:*

- Red flag status occurs when a nonprofit is a critical service provider at imminent risk of being unable to perform services per their agreement, or unable or unwilling to engage in required corrective action
- A City department/ division head indicates when red flag status is appropriate and is responsible for associated decision-making and coordination with other City funders
- Red flag status can occur regardless of whether or not a nonprofit already has elevated concern status
- The City should dialogue with the nonprofit leadership, including the board of directors, to help make progress on corrective action and should consider technical assistance

#### *Timeline:*





## Nonprofit Corrective Action Policy<sup>3</sup>

### Frequently Asked Questions (FAQs) for City Program Managers/ Officers

**1. Q: What is corrective action?**

A: Corrective action is a process used by City departments to bring funded nonprofits back into fiscal or program compliance. Corrective action is required when a nonprofit has failed to demonstrate conformance with performance/ monitoring standards laid out in either the grant or contract agreement between the City and nonprofit service provider.

**2. Q: Who has vetted the City's corrective action policy?**

A: The San Francisco Community-Based Organizations Task Force endorsed a citywide corrective action policy in December 2010. The Mayor has directed City departments to have written policies and procedures that are consistent with this policy document.

**3. Q: What are the consequences of the City's corrective action policy?**

A: Nonprofits that do not conform to City monitoring and program standards will not meet minimum qualifications for applying or renewing City funding. They will be placed on either elevated concern status or red flag status.

**4. Q: What is the consequence of elevated concern status?**

A: Nonprofits with elevated concern status due to fiscal or compliance reasons are not eligible for new or renewed of City funding. Nonprofits on elevated concern status for program-related reasons will be less competitive in RFP scoring processes.

**5. Q: When should a nonprofit be placed on elevated concern status?**

A: Elevated concern status occurs when the nonprofit has not done any or all of the following by City department deadlines:

- Responded to the City's request for self-assessment monitoring documents
- Responded to the City's request for corrective action
- Provided a corrective action plan that is acceptable to the City
- Complied with the implementation of its corrective action plan

**6. Q: Who decides if a nonprofit is to be placed on elevated concern status?**

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<sup>3</sup> Applicable to both nonprofit and for-profit health and human services contractors.



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A: Departments internally determine whether or not nonprofits have fulfilled the tasks stated in question #5. If a nonprofit fails to fulfill any of these tasks, it is automatically placed on elevated concern status.

**7. Q: If a nonprofit has findings but is demonstrating good faith efforts to remedy non-compliance, should that nonprofit be placed on elevated concern status?**

A: No! Elevated concern status is applicable only to nonprofits for the reasons listed in Question #5 above.

**8. Q: Are there specific steps that program managers/ officers need to follow concerning elevated concern status?**

A: Yes. Please refer to the citywide corrective action policy, the *Citywide Fiscal and Compliance Monitoring Guidelines* and consult with your manager to determine if your department has developed department-specific policies.

**9. Q: How is information on elevated concern status shared within the City?**

A: Departments maintain an ongoing list of nonprofits with elevated concern status. They should regularly notify their commissions/oversight bodies and provide their list to the Controller's Office on a quarterly basis. The Controller's Office will distribute the consolidated list citywide, including to the Mayor's Budget Office and the Board of Supervisors.

**10. Q: Is the elevated concern process limited to fiscal and compliance findings?**

A: No. City departments are required to use this process for programmatic findings as well.

**11. Q: Does the elevated concern process apply only to nonprofits in the citywide nonprofit monitoring pool ("joint monitoring")?**

A: No. The process applies to all nonprofits with a city grants/ contracts.





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### 12. Q: How will RFP documents change as a result of the new corrective action policy?

A: Departments must add language to their RFPs to reflect that nonprofits on elevated concern status do not qualify for new or renewed funding.

HSA used the following in a recent RFP:

*Respondents submitting proposals that have previously been contracted by the City and County of San Francisco to provide goods and/or services must successfully demonstrate compliance with performance, fiscal, and compliance requirements, or with associated corrective action plans, in order to meet the minimum qualifications of this RFP. Documented failure to correct performance, fiscal, and/or compliance deficiencies, or to comply with associated corrective action plans, will disqualify nonprofits from participating in this RFP.*

### 13. Q: How does a nonprofit get off of elevated concern status?

A: When the nonprofit has completed the missing requirements in question #5, departments should de-designate the nonprofit via mail and inform the departments' commissions/oversight bodies and the Controller's Office.

### 14. Q: What is red flag status and its consequences?

A: Red flag status is reserved for critical service providers at imminent risk of being unable to perform services per their agreement. The designation can only be determined by City department heads or senior managers. In a red flag status situation, a department head is able to quickly designate the status and prescribe specific corrective action. Red flag status is not related to elevated concern status and is used only in extreme circumstances. Consequences vary by situation, but at a minimum, nonprofits with red flag status will not qualify for new or renewed funding.

***For more information, please speak with your manager or contact Nikhila Pai (415) 554-7511 or Greg Asay (415) 554-7595 in the Controller's Office***