City & County of San Francisco

Fiscal Monitoring Program Policies and Guidelines

About the Controller's Office

The Controller is the chief financial officer and auditor for the City and County of San Francisco. We produce regular reports on the City's financial condition, economic condition, and the performance of City government. We are also responsible for key aspects of the City's financial operations — from processing payroll for City employees to processing and monitoring the City's budget.

Our team includes financial, tech, accounting, analytical and other professionals who work hard to secure the City's financial integrity and promote efficient, effective, and accountable government. We strive to be a model for good government and to make the City a better place to live and work.

About the City Performance Division

The City Performance team is part of the City Services Auditor (CSA) within the Controller's Office. CSA's mandate, shared with the Audits Division, is to monitor and improve the overall performance and efficiency of City Government. The team works with City departments across a range of subject areas, including transportation, public health, human services, homelessness, capital planning, and public safety.

City Performance Goals:
- Support departments in making transparent, data-driven decisions in policy development and operational management.
- Guide departments in aligning programming with resources for greater efficiency and impact.
- Provide departments with the tools they need to innovate, test, and learn.

For more information, please contact:

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City and County of San Francisco
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https://www.sf.gov/resource/2022/citywide-nonprofit-monitoring-and-capacity-building-program

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Overview

Since 2005, the Controller's Office has coordinated standard fiscal and compliance monitoring of nonprofit contractors. The Controller's Office developed the Citywide Nonprofit Monitoring and Capacity Building Program in partnership with City departments that conduct the greatest volume of nonprofit contracting. As the number of departments conducting nonprofit contracting has grown over time, the Citywide Nonprofit Monitoring and Capacity Building Program has also expanded, and now includes both a Fiscal Monitoring Program and a Contract Monitoring Program, as well as capacity building supports for both City departments and nonprofit contractors.

The Fiscal Monitoring Program represents part of the City's response to the 2003 report of the Nonprofit Contracting Task Force, as well as reforms recommended through subsequent task forces and working groups, including in 2009 and 2016. Early task forces and working groups prioritized consistent monitoring practices across departments as well as a coordinated process to minimize burden. As such, until 2019 the Fiscal Monitoring Program focused on "joint" fiscal and compliance monitoring, meaning departments only monitored contractors receiving funding from two or more departments via the program protocols.

In 2019, the Fiscal Monitoring Program expanded to include nonprofits receiving more than $1 million from a single department participating in the program. Program Guidelines recommended participating departments also apply the same set of standards and practices across other funded nonprofits that did not fall within the parameters of the Fiscal Monitoring Program.

FY24-25 Guideline Updates

As of Fiscal Year 2024-2025, (FY24-25), these updated guidelines clarify the following expectations for all City departments that contract with nonprofit suppliers, whether the department participates in the Fiscal Monitoring Program or conducts fiscal monitoring independently.

Annual Fiscal Monitoring Requirements: All City departments with nonprofit contracts should perform fiscal and compliance monitoring according to the standards and protocols of these guidelines. Departments should apply "Risk Assessment" parameters included in these guidelines (see Appendix) to determine which nonprofits to monitor and the type of monitoring to perform.

Coordinated and Consistent Approach: Departments that contract with nonprofits that are also funded by other City departments should engage with the Controller's Office to determine whether and how to coordinate fiscal and compliance monitoring activities via the Monitoring Program. Per the terms of prior task forces and work groups, City departments should coordinate, consolidate and streamline fiscal and compliance monitoring of shared nonprofit suppliers to the greatest degree possible.

Risk Assessment determines Monitoring Approach: The "Risk Assessment" parameters included in these guidelines (see Appendix) provides the following framework departments should following in determining which nonprofit contractors to monitor and the type of monitoring to perform.

- Current Risk Assessment guidelines establish a threshold for monitoring at $1 million in anticipated annual contract spending for nonprofits funded by a single department ("singly funded").
- However, departments should consider issues of nonprofit financial performance and other risk factors included in the Risk Assessment policy and may elect to perform fiscal and compliance monitoring of their singly funded nonprofit suppliers below the $1 million threshold.
- When a nonprofit receives funding from two or more departments ("jointly funded"), the monitoring threshold lowers to a floor of $200,000.

Invoice Documentation Review Required Annually: City departments are required to perform invoice documentation review of at least two months of invoices for every contract anticipated to expend $200,000 or more in a fiscal year, using the standards and procedures for invoice review in these guidelines.

- If the nonprofit supplier receives a fiscal and compliance monitoring within the fiscal year, the invoice documentation review should occur as a component of that monitoring activity, per the guidelines below.
  - When a nonprofit receives joint fiscal monitoring, each funding department should conduct invoice documentation review for each funded contract above the threshold and compare results to identify whether the nonprofit meets all invoice review standards.
- If the nonprofit supplier will not be monitored (e.g., receives a waiver or is singly funded and below the $1 million threshold), funding departments must still conduct invoice documentation review using the standards and procedures below. Departments should document the results of the review and communicate the results to the contractor.
  - Departments have the option to use the Controller's Office tools and database to record results of invoice review even if it is occurring outside of a full monitoring process.

Best Practices: The Controller's Office recommends that departments adopt the following best practices on fiscal and compliance nonprofit monitoring:

- Use the Standard Monitoring Form and Risk Assessment to apply the fiscal monitoring approach and standards consistently across all contractors.
- Include fiscal monitoring procedures and standards in your department's existing manuals and policies, as well as in performance evaluation and new staff orientation for staff expected to perform this work.
- Include a copy or reference to the Standard Monitoring Form in your department's contract boilerplate, or otherwise include the fiscal and compliance criteria in your department's contract language.
- Utilize monitoring information in renewal or contract/grant award processes and discussions, such as during review by oversight bodies or commissions.
- Maintain and follow written department policies and procedures to address those nonprofits who have serious monitoring findings or who do not successfully complete corrective actions.
- Identify training needs for nonprofit contractors to improve fiscal and compliance performance. Identify training needs for department staff to better equip them to identify contractor needs. Share any identified training needs to the Controller's Office, which may be able to deploy group or individualized support.

Table of Contents

Fiscal Monitoring Program Overview

Program Goals

The Monitoring Program intends to have the following impacts:

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

To achieve these impacts, the Monitoring Program has established the following operational goals:

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

Program Participants and Steering Committee

Twelve City departments that fund nonprofit contractors to deliver health and human services currently participate in joint fiscal and compliance monitoring. Nonprofit contractors funded to provide health or human services by these departments should experience one standard fiscal and compliance monitoring per year, with the type of monitoring determined through the Risk Assessment process. See the Risk Assessment section below for more on how the monitoring pool is formed.

- Adult Probation Department (APD)
- Arts Commission (ART)
- Department of Early Childhood (DEC)
- Department of Children, Youth & Their Families (DCYF)
- Department of Homelessness and Supportive Housing (HSH)
- Department of Public Health (DPH)
- Department on the Status of Women (DOSW)
- Human Services Agency (HSA)
- Mayor's Office of Housing and Community Development (MOHCD)
- Office of Economic and Workforce Development (OEWD)
- San Francisco Public Works (DPW)
- Sheriff (SHF)

The Controller's Office regularly assesses trends in nonprofit contracting across departments and may periodically add new departments to the list of participants if a department's portfolio of nonprofit suppliers significantly overlaps with other participating departments. Per the policy statements above, departments

that do not participate in the Fiscal Monitoring Program directly must still perform independent fiscal and compliance monitoring of nonprofit contractors.

Steering Committee

The Controller's Office facilitates a Fiscal Monitoring Program Steering Committee of all participating departments. The Steering Committee has the following roles:

- Engages in the annual Risk Assessment process to determine which nonprofits to monitor, the type of monitoring, and assigning lead monitors.
- Ensures an equitable and fair distribution of the workload of joint monitoring across departments.
- Consults on the revision of monitoring standards, forms and guidelines as needed.
- Supports the annual training program for nonprofits and City staff.

Each participating department must appoint one representative to the Steering Committee (though others may join for informational purposes), and the Controller's Office also has a seat. The Controller's Office prepares the agendas and facilitates Steering Committee meetings and any sub-committees.

Department representatives participate in Steering Committee meetings and any required Steering Committee subcommittees (about four to five meetings per year). These members bring the concerns of their departments to the group and share information discussed in Steering Committee meetings with their department colleagues, including executive leadership. Steering Committee representatives are responsible for making sure their department completes the following tasks according to program timelines:

- Provide requested Risk Assessment data and information to the Controller's Office.
- Schedule and document Citywide monitoring activities per agreed upon protocols.
- Ensure Lead Monitors coordinate with monitoring team members as specified in these guidelines.
- Ensure Monitoring Team Members actively participate in monitoring activities.
- Ensure Lead Monitors issue Monitoring Report Letters and Final Status Letters to the nonprofit contractor and post documents to Salesforce by agreed upon deadlines.

Controller's Office Role

The City Performance unit of the Controller's Office coordinates Citywide fiscal and compliance monitoring as part of the Citywide Nonprofit Monitoring and Capacity Building Program. The Controller's Office provides policy recommendations and chairs the Steering Committee. The Controller's Office is also responsible for training, quality assurance, and oversight, including reporting to senior managers on department performance and engaging department leadership on broader policy considerations. Appendix F of the City Charter mandates the City Services Auditor Division to provide oversight of City contracting procedures.

Lead Monitor and Monitoring Team

The **lead monitor** is responsible for all aspects of the Core or Expanded monitoring, as detailed in these guidelines, as well as sending notification of a Waiver from monitoring. Through Risk Assessment, departments collaboratively assign a lead department to each nonprofit contractor in the pool, and the lead department assigns a lead monitor to each contract.

If a contractor has repeat findings or struggles to achieve the standards of the program, departments

should designate the same lead monitor for consecutive years to promote continuity in knowledge.

See later sections for a step-by-step guide of lead monitor steps and role. At a high level, lead monitors perform the following tasks:

- Coordinating the logistics around the annual monitoring.
- Facilitating a joint review of all monitoring documents and standards, and, often, conducting a significant portion of the review itself.
- Sending all communications to the contractor and City colleagues involved in the monitoring.
- Uploading all required documentation to Salesforce.

The **monitoring team** comprises all City staff in participating departments that manage contracts or grants with the nonprofit being monitored. The Controller's Office lists all departments on the monitoring team on the annual document showing the nonprofits being monitored. Monitoring team members must participate in the monitoring activities, including providing support with reviewing standards, providing input about potential findings, and promptly responding to communication from the Lead Monitor.

Fiscal Monitoring Program Standards and Tools

Risk Assessment

Risk Assessment is the process by which the Controller's Office and departments determine which nonprofits to include in annual fiscal and compliance monitoring (i.e., "in the monitoring pool"). Risk Assessment also determines what type of monitoring (i.e., core monitoring, expanded monitoring or good performance waiver) each nonprofit should receive based on a variety of risk factors.

See **Appendix A** for a detailed description of the risk factors and the process the Controller's Office and participating departments use to conduct Risk Assessment for joint fiscal and compliance monitoring. Departments conducting independent fiscal and compliance monitoring should also align to this policy and its criteria.

For joint fiscal and compliance monitoring, the Controller's Office initiates Risk Assessment in the first quarter of each fiscal year. The Controller's Office collects contract information for that fiscal year from all participating departments and compiles this and other data into a structured list to allow departments to perform a collaborative assessment and documentation of risk factors. The Controller's Office uses funding thresholds to establish the list and a scoring methodology to propose a type of monitoring appropriate for each contractor based on documented performance criteria, such as such as previous monitoring findings, executive turnover, total funding received, etc. See the Types of Monitoring section for more.

Risk Assessment results in an "Annual Monitoring List"documenting all contractors to be monitored, lead and participating departments for each monitoring, the type of monitoring that will be applied (core, expanded or waiver), and other details about the contractor's risk level.

Standard Monitoring Form and Letters

The Controller's Office and the Steering Committee manage and agree to a Citywide fiscal and compliance Standard Monitoring Form that should be used for all core and expanded monitoring activities. This form

establishes a clear and measurable set of standards for strong financial management and administrative practices that nonprofit contractors should adhere to.

During fiscal and compliance monitoring, nonprofit contractors submit documents and information to demonstrate whether and how they meet each standard. When a nonprofit contractor cannot submit relevant documents or does not meet a standard on this form, this is considered a "finding." The lead monitor, in consultation with the monitoring team, documents any finding(s) in a letter to the contractor and provides information about how to correct the issue (e.g., submit additional documents and/or correct existing documents, etc.). Departments must allot the nonprofit time to address the finding, per the procedures outlined in this document. If the nonprofit does not address the finding within the allotted time, the department will confirm the finding via a "Final Status" letter and reiterate any necessary corrective actions the nonprofit should take to address the concern.

Salesforce System and Shared Documentation

Departments participating in the Fiscal Monitoring Program are required to upload monitoring and verification documents to a Salesforce system managed by the Controller's Office for this purpose so that other departments funding or considering funding a nonprofit contractor can easily access relevant information. The lead monitor is responsible for the timely upload of such documents. Likewise, the lead monitor is required to schedule monitoring activities in Salesforce and copy their monitoring team colleagues on all relevant correspondence with the contractor. Please see instructions in the "Lead Monitor Responsibilities" section below for details on what documents to upload and the deadlines for these uploads. The Salesforce User Guide contains instructions on how to use the Fiscal Monitoring Program's Salesforce system.

Nonduplication Principles

Nonprofit contractors should only experience one Citywide fiscal and compliance review per fiscal year. Typically, this review should occur between the months of November and June. Departments participating in the joint 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. Departments should not conduct separate fiscal monitoring in addition to the monitoring that occurs using the Standard Monitoring Form. If a department has any compliance elements that are unique or program-specific, these should be reviewed under separate departmental program monitoring procedures.

Citywide Nonprofit Corrective Action Policy

The Citywide Nonprofit Corrective Action Policy is intended to ensure compliance with government funding requirements, accountability, and reliable service delivery for San Francisco residents.

This policy helps to identify nonprofit contractors that are not meeting City standards for service delivery or financial management and ensure the City provides appropriate support, technical assistance and oversight to address these issues. The policy outlines the Controller's Office's role in coordinating departments to collaboratively oversee and respond to nonprofit performance. It provides City departments with steps to act appropriately when a nonprofit contractor does not meet the City's financial and/or programmatic standards and does not comply with an established plan to correct deficiencies.

Within the fiscal monitoring process, departments may issue findings when a nonprofit does not meet one or more standards assessed during the review and may require a response from the nonprofit contractor about how they will address these findings. The process provides time for response and time for the nonprofit contractor to come into conformance with the standards. Departments may offer technical assistance and other resources during or after the monitoring process to support the nonprofit contractor to come into conformance.

In cases when a nonprofit demonstrates a pattern of poor financial management practices as demonstrated through one or more years of certain monitoring findings, departments should follow internal protocols for corrective action as well as the Citywide Nonprofit Corrective Action Policy to address these concerns.

Departments may also identify fiscal concerns outside of a point-in-time financial monitoring process, such as via a performance or financial audit, validated whistleblower reports, a City investigation into fraud or financial mismanagement, contract violations, or other sources. Departments should follow internal protocols for corrective action as well as the Citywide Nonprofit Corrective Action Policy to address these concerns.

Departments should escalate serious issues to the Controller's Office for Citywide coordination and potential designation to a corrective action tier if fiscal issues cannot be adequately addressed through internal corrective action and if they meet escalation criteria established in the Citywide Nonprofit Corrective Action Policy.

Additional Resources

Please see the Controller's Office website, https://www.sf.gov/resource/2022/citywide-nonprofit-monitoring-and-capacity-building-program, for additional resources regarding the Fiscal Monitoring Program, including a page dedicated to resources for nonprofits. The Controller's Office posts template documents compliant with the standards (e.g., sample cost allocation plans, sample fiscal policies and procedures) which can serve as a resource for both contractors and City staff. The Controller's Office provides annual training to City monitors each fall and for nonprofit contractors each spring, and posts training materials to this website.

The lead monitor and the monitoring team are a key resource in helping to identify nonprofit contractors in need of capacity building support, including training or individualized coaching services. The Controller's Office contracts with several qualified vendors skilled in areas of nonprofit financial management, board development and governance, strategic planning, and other areas where nonprofit contractors may struggle to comply with City standards. When the monitoring team identifies a nonprofit contractor that could benefit from coaching services, the lead monitor should submit a Coaching Referral Form to the Controller's Office, which will then direct a consultant to assess the needs, create an action plan, and provide free assistance to the nonprofit.

Email the Controller's Office at nonprofit.monitoring@sfgov.org for direct support.

Types of Monitoring

The annual Risk Assessment process assigns a type of monitoring to each contractor. There are currently three types of monitoring a nonprofit contractor may be assigned. The type of monitoring assigned may result in variations in the overall monitoring process. For example, expanded monitoring protocols recommend an online meeting between the contractor and monitoring team prior to issuing a Monitoring

Report Letter, where core monitoring may not require such a meeting.

For core monitoring, contractors qualify by having a proven track-record in fiscal and compliance areas based on prior monitoring results. For this reason, the Controller's Office does not require every element of the Standard Monitoring Form to be reviewed in the core monitoring. Expanded monitoring requires the nonprofit to submit more documents, such as compliance documentation. Since the monitoring team will assess more standards in an expanded monitoring, the lead monitor may assign more of the review tasks to other monitoring team members than would typically get assigned out during a core monitoring.

Monitoring Type	Core	Expanded	Waiver
Standards Applied	Includes the highest priority elements of the Standard Monitoring Form.	Includes all standards in the "core" and "expanded" sections of the Standard Monitoring Form.	n/a – no monitoring conducted.
Risk Level	When risk level is low to moderate, including when a high-performing contractor has not been monitored recently.	When risk level is high, based on prior monitoring findings, time since last expanded monitoring, or other factors.	When risk level is low, and when the contractor has received a monitoring recently (i.e., within last 2 years) and has no unresolved findings.
Monitoring Format	Virtual	Virtual or in-person, at the discretion of monitors	n/a
Monitoring Process	Nonprofit provides documents to lead monitor, who assigns roles/tasks to team members, collects input, and populates data system to generate letter.	Nonprofit provides documents to lead monitor who assigns roles/tasks to team members, collects input, and populates data system to generate letter.	Lead monitor sends a letter documenting the waiver for the year, and no other activity occurs that year except required invoice review.
Post-Monitoring Team Meeting (Internal)	**Recommended** if there are findings. **Not necessary** if no findings.	**Required** if there are findings. **Recommended** if no findings.	n/a
Exit Conference (with Contractor)	**Optional** if there are findings. **Not necessary** if no findings.	**Recommended** if there are findings. **Not necessary** if no findings.	n/a

The Controller's Office maintains a single set of standards as part of the Standard Monitoring Forms, and provides a distinct Standard Monitoring Form for core and expanded monitoring to clarify for department staff which standards apply to each. Per those forms, departments have discretion to assess one or more

standards on the expanded monitoring form for a nonprofit contractor approved for a core monitoring in cases where that nonprofit had a finding in that area in the prior year.

Monitoring Process

Departments most commonly conduct fiscal and compliance monitoring virtually, meaning the contractor sends requested documents by a due date ("monitoring date"), the monitoring team reviews documents and consults on issues, and the lead monitor issues a Monitoring Report Letter without visiting the Contractor's site. However, monitoring can be conducted in-person, at the monitoring team's discretion, with advance notice to the Contractor.
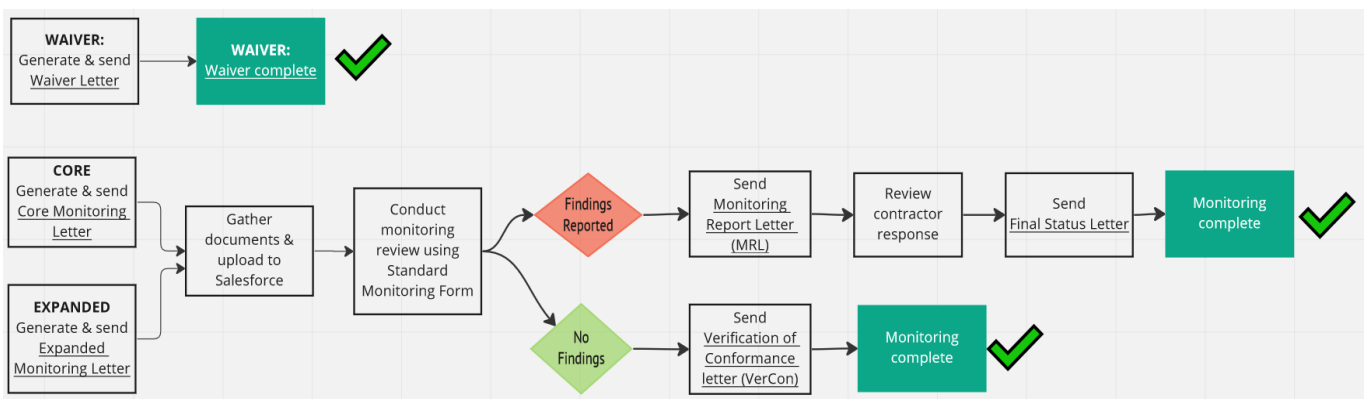
During the initial monitoring, monitors use the Standard Monitoring Form to determine whether the contractor has **No Findings** or **Findings to Report**.

- **No Findings:** This means that the contractor was in conformance with all standards. At this point in the process, the lead monitor send a "Verification of Conformance" letter to indicate this result. This ends the annual monitoring for that contractor.
- **Findings to Report:** This means that there were one or more standards that the contractor did not meet upon initial review. Lead monitors send a "Monitoring Report Letter" to document any findings and provide the contractor with an opportunity to respond and correct any findings before monitoring is complete. After the contractor responds, the lead monitor and monitoring team assess whether the contractor addressed the findings and issue the "Final Status Letter" with the final status of each finding based on the contractor's response. Each finding can be categorized as:
  - **Finding In Conformance:** The Contractor submits documentation showing the finding has been resolved.
  - **Finding Not Yet In Conformance:** The Contractor submits a plan to resolve the finding, (e.g., before the next monitoring), but does not correct the issue before the monitoring cycle ends. Or the Contractor does not respond to the request for corrective action.

At the close of the monitoring cycle, the lead monitor uploads all documentation supporting the monitoring results to Salesforce.

Please be sure the following documents are uploaded to Salesforce:

- Audited financial statements
- Balance Sheet
- Profit & Loss Statement
- Budget
- Form 990

- Welcome Letter
- Monitoring Initiation Letter
- Verification of Conformance Letter (*no findings*)
- Monitoring Report Letter (*if findings*)
- Final Status Letter (*if findings*)
- Waiver Letter (*for assigned waivers*)

Monitoring Dates and Timelines

Joint monitoring activities typically occur between November and June of each fiscal year. Departments conducting independent monitoring should generally follow a similar monitoring cycle. The Controller's Office may adjust timelines year-to-year based on extenuating issues.

Date	Activity
August - December	Conduct Risk Assessment
By December 15	Confirm Annual Monitoring List
By February 15	Generate and send monitoring initiation letters to nonprofits (including Welcome Letter and Waivers)
By March 15	Monitors receive and review requested documents (specific due dates vary based on when monitor sends initiation letter); **Send overdue responses as needed**
By April 30	Review documents upon receipt from nonprofit, including follow up with nonprofit on missing or late documents (as needed); complete initial review and discuss results with monitoring team
By May 15	Conduct any necessary exit conferences; generate and send all Monitoring Report Letters and Verification of Conformance Letters
By June 15	<u>If there are findings</u>**:** receive nonprofits' responses to Monitoring Report Letters <u>No findings</u> or <u>Waiver</u>: finish uploading remaining documents into Salesforce
By Jun 30	<u>If there are findings,</u> complete review of nonprofits' responses and send Final Status Letter to nonprofit; finish uploading remaining documents into Salesforce

Several key principles directly impact the timelines of monitoring, including:

- Monitors should provide at least **four weeks** from sending the initiation letter for nonprofits to provide required documents, though they can provide greater notice if desired. Monitors should establish a due date for the monitoring and send the monitoring initiation letter at least four weeks prior to that due date.
- Upon receipt of monitoring documents, departments should conduct the review and identify any findings within **six weeks** of receipt of monitoring documents.

- If the monitoring results in findings, the Monitoring Report Letter provides nonprofits **30 days** to provide a response or correct the issue.
- In these cases, monitors should review the response with the monitoring team quickly and should send a Final Status Letter within **30 days** to conclude the process.
- To achieve the goal of ending the monitoring cycle by **June 30**, monitors should send initiation letters by or before February 15. Waiting to send initiation letters may result in the monitor needing to shorten their own review windows in order to end the cycle timely.

Monitoring Team Roles and Responsibilities

In joint fiscal and compliance monitoring, the lead monitor carries out the bulk of the activities for each assigned monitoring, though leads may request support and assign review tasks to team members as relevant.

Lead Monitor	Monitoring Team Member
- Schedule monitoring and send monitoring initiation letter (copy all monitoring team members) - Lead outreach and communication with nonprofit, including send out monitoring letters and follow up (copy all monitoring team members) - Coordinate with monitoring team before monitoring to review any concerns or areas for additional review; can schedule pre-monitoring call if needed - Propose distribution of monitoring standards to review across monitoring team; this can be an opportunity to leverage monitoring team members' expertise in particular topics - Upload required nonprofit documents and monitoring correspondence into Salesforce If there are findings for Expanded monitoring, schedule Teams call for monitoring team to meet and review findings before sending out the Monitoring Report Letter	- Engage in pre-monitoring coordination to share context, flag potential issues, or identify specific departmental monitoring needs - For each nonprofit involved, complete monitoring of assigned standards (as coordinated by lead monitor) - Conduct invoice documentation review for the months identified and coordinate with other team members on any issues or findings related to invoice documentation or invoice-related standards - Provide input on monitoring correspondence and final findings

> **The Lead Monitor is responsible for the fiscal and compliance monitoring for assigned Contractors.** Use the following table and timelines to guide your work. Several steps involve using Salesforce. See the Salesforce User Guide for instructions on how to use that system. Reach out to Controller's Office team with additional questions.

When	Lead Monitor Activity	Comments
November - January	Prepare for monitoring by reviewing contract budget documents, the prior year Monitoring Report Letter and related documents for the contractor. In Salesforce, look up the Annual Monitoring Detail (AMD) and look under **Report Findings** >> **Contracts Monitored & Monitoring Team** to identifythe contracts to be reviewed and the departments on the monitoring team. Consult with the Monitoring Team to identify any fiscal or compliance concerns.	Gather: - Last year's Monitoring Report Letter - Board of Director's roster, articles andbylaws - Current IRS Form 990 (CheckGuidestar.com if necessary) Monitoring Team members may already have some of these documents, so consult with Monitoring Team first. If they have these documents, request that they upload these documents into Salesforce; can then seek them from the Contractor, as needed.
By February 15	Use Salesforce to generate a Monitoring Initiation Letter (with the corresponding Core or Expanded Monitoring Template based on the monitoring type) to inform the contractor about the monitoring. In Salesforce, document the "date of monitoring" as the due date by which all requested documents must besubmitted by the contractor. Send cover letter to the contractor (and copy all monitoring team members), enclosing the Standard Monitoring Form. Upload the signed PDF version of the monitoring initiation letter to the **Document Upload** section of the contractor's AMD page in Salesforce	All Initiation Letters must be sent to contractors by <u>February 15</u>, though the actual due date for responses may be set for any date prior, leaving sufficient time to review all documents and send Monitoring Report Letter (or Verification of Conformance) to the contractor by June 30. The due date for the Contractors to submit requested materials must be (at least) 4 weeks from when the initiation letter is sent to give contractors adequate time to respond. However, lead monitors can provide more than 4 weeks if needed and monitoring deadlines allow. Consider staging the due dates of materials over several months, as lead monitors have 6 weeks to follow up after documents are submitted. Be sure to follow up with the contractor by phone or email to confirm their receipt of the letter and answer any questions.
One week before monitoring	Prior to the anticipated receipt of documents from the contractor, coordinate with the monitoring team (via	This step is **recommended** for expanded monitoring, and **optional** for core monitoring. For core monitoring, the lead

When	Lead Monitor Activity	Comments
documents are due	meeting/Teams call or email exchange) to plan the monitoring. Before the meeting, review contract budgets and the prior year monitoring letters, and be prepared to lead the discussion about potential concerns. Consider sending a friendly one-week reminder to the contractor about the monitoring document due date.	may perform the majority or all of the monitoring. Consider holding this email exchange or conversation about a week before documents are due, so that team members are prepared for their roles. Discussion should address: • Fiscal and compliance concerns • Invoices and expenses to test • Subcontractor information • Consider assigning each team member a specific role and what documents or standards to review • Leverage strengths of the team, e.g., does someone have a strong finance background?
When monitoring documents are due	Review the contractor's submission to determine whether the contractor included all required documents. If any items are missing (or if the submission is late), contact the contractor in writing within five business days of the original due date, copying the monitoring team, and upload the written notice to the Notes and Attachments section of the Contractor's AMD page in Salesforce. Upload documents to the Document Upload section of the contractor's AMD page in Salesforce.	The Initiation Letter generated through Salesforce will include a checklist of required documents to be submitted by theContractor. See the template "Overdue Response to Core or Expanded Monitoring" letter in the Resources folder in Salesforce. Non-responsiveness may be cause for escalation and/or designation as part of the Citywide Corrective Action Policy. Contact your Steering Committee representative to consult about nonresponsive contractors.
Within 3 weeks of document submission	Ensure Monitoring Team members can accessdocuments and are clear on review tasks and timelines. Review the Standard Monitoring Form and submitted documentation. Gather input from monitoring team members (e.g., through a team meeting, and/or through email) and enter findings into Salesforce to generate a draft	Consult the Monitoring Team regarding any questions or to delegate areas of review. Discuss (by phone or email, as necessary) the findings and proposed corrective action. • **Expanded Monitoring:** a team meeting and an exit conference are recommended, particularly if there areissues. • **Core Monitoring:** a team meeting

When	Lead Monitor Activity	Comments
	Monitoring Report Letter, revising or adding to the standard template as needed. Direct the monitoring team to the Monitoring Report Letter on Salesforce to request feedback. Provide a timeframe for comments or use a team meeting to gather comments and changes. If there are findings to be reviewed or questions about the documentation provided, it is recommended to host an "exit conference" meeting between the contractor and the monitoring team prior to sending the Monitoring Report Letter.	and an exit conference are optional, and if there are no findings or concerns, likelyunnecessary. <u>Exit Conference Activities:</u> • Report what was monitored, summarize any findings (can be preliminary), and explain next steps. • If a standard allows for a "reasonable explanation" to meet the standard, usethe exit conference to ask questions and explore any explanation provided.
Within 6 weeks of document submission **(no later than May 15)**	Update Salesforce with any changes, as needed, and generate a final Monitoring Report Letter with the letter date recorded in Salesforce. Email the contractor the final letter and copy the monitoring team. Upload a final signed PDF version of the letter to the **Notes & Attachments** section of the Contractor's AMD page in Salesforce.	If the contractor has no findings, or only Recommended Practice findings, the Monitoring Report Letter serves as a **<u>Verification of Conformance Letter that ends the monitoring cycle for the contractor</u>**. If the contractor has no findings, please skip to the last step of the timeline.
Within 30 days of sending the Monitoring Report Letter **(no later than June 15)**	The contractor has 30 days to submit a response to the Monitoring Report Letter, if one is required. If the contractor does not submit a response when one is required, send an "Overdue Response Letter" and upload it to the Notes and Attachments section of the Contractor's AMD page in Salesforce. Upon receipt of a response, distribute it to the monitoring team and upload it as a PDF to the **Notes & Attachments** section of the contractor's AMD page in Salesforce.	A response is only required if the contractor has findings where corrective action has been requested. Recommended Practice and Pilot standards generally do not require corrective action and would not require a response from the contractor. Find a template for an Overdue Response Letter in the Resources folder in Salesforce. Set a new response deadline of 10 days.

When	Lead Monitor Activity	Comments
Within 15 days of receiving the Contractor's response **(no later than June 30)**	Consult with the monitoring team about whether the contractor has addressed the findings. If the contractor's response is adequate, update Salesforce with the final status of each finding to generate a Final Status Letter. Direct the monitoring team to the Final Status Letter on Salesforce to request feedback, if necessary. Provide a timeframe for comments. Email a signed Final Status Letter to the contractor (copying the Monitoring Team). **This will close the monitoring cycle**. Upload the signed Final Status Letter to the **Notes & Attachments** section of the contractor's AMD page in Salesforce.	Final Status Labels: • <u>In Conformance</u>: The Contractor submits documentation showing thefinding has been resolved. • <u>Not Yet in Conformance</u>: The Contractor submits a plan to resolve the finding, e.g., before the next monitoring, but has not yet corrected the issue. If the Contractor's response does NOT adequately address the findings, send the Contractor an "Unsatisfactory Corrective Action Plan" letter and upload it to the Notes and Attachments section of the Contractor's AMD page in Salesforce.
By June 30	Post all required and any relevant documents to the **Notes & Attachments** section of the Contractor's AMD page in Salesforce.	Post PDF versions of the following required documents: • Initiation letter (signed) • Monitoring Report Letter or Verification of Conformance letter (signed) • Contractor response • *If findings:* Final Status Letter (signed) • Other formal correspondence (e.g., overdue response letter). • Prior year's audit • Balance Sheet • Profit & Loss Statement • Contractor's Articles and Bylaws • Board roster • Recent Form 990 • Agencywide budget and cost allocation plan

Additional Tips for the Lead Monitor

As lead monitor, your first resource should be your supervisor and/or your department's Steering Committee representative when you have questions. For joint fiscal and compliance monitoring, the Controller's Office and participating departments attempt to ensure each monitoring team has a mix of skill sets and experience to help newer monitors learn from others, and to bring deeper understanding to the assessment

of a contractor's fiscal health. Consult with the monitoring team about any findings or questions related to the contractor. The Controller's Office team can answer technical questions about the monitoring form, how to apply standards, process issues regarding timelines or letters, and other general inquiries.

Late Response by the Contractor

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 without a response, follow up by email with the contractor and document this in a follow up letter.

- Use the template "Overdue Response to Monitoring Report" in the Tools folder in Salesforce. Set a new deadline of ten business days for a response.
- Upload the letter to the Notes and Attachments section of the contractor's AMD page in Salesforce.
- Direct the monitoring team to the letter in Salesforce.

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

- Notify your manager or Steering Committee representative and the monitoring team immediately.
- The Controller's Office will engage the Steering Committee to discuss whether the contractor should be escalated and apply the Citywide Corrective Action Policy for non-responsiveness.

If the Controller's Office determines to designate the contractor to a Corrective Action Tier, the Controller's Office will issue a letter to the contractor informing the Executive Director and the Board President of this designation and the consequences. The Controller's Office will copy the monitoring team and will post the letter to the Notes and Attachments section of the contractor's AMD page in Salesforce.

Appendix: Risk Assessment Policy and Procedures

Purpose of the Policy

Risk Assessment is the process by which the Fiscal Monitoring Program defines which nonprofits are included in the annual monitoring process (i.e., "in the monitoring pool"), and determines what type of monitoring (i.e., core, expanded or waiver) each nonprofit should receive based on a variety of risk factors.

Phase 1: Development of the Monitoring Pool

Policy for Development of Monitoring Pool

1. Nonprofits providing services to the community are included in the pool.
    a. Nonprofit consultants providing services to the City directly, or consultants funded to provide services to nonprofits (e.g., program evaluators, technical assistance providers, etc.) are excluded from the pool.
2. The following types of nonprofits are currently excluded from the pool due to financial complexities beyond the scope of Fiscal Monitoring Program criteria (the Controller's Office may reassess these exclusions in the future):
    a. Public schools, colleges and universities, e.g., SFUSD, SFSU, UCSF, City College
    b. Hospitals and health plans, e.g., Dignity Health, St. Mary's
    c. Banks and credit unions
    d. Nonprofit housing developers that operate primarily as a developer and not a service provider (nonprofits that develop housing but have service provision as a primary business model remain in the pool).
        i. Such nonprofits are determined explicitly by the Steering Committee as excluded. Current exclusions in this category are Bridge Housing, Mercy Housing and Tenderloin Neighborhood Development Corporation.
3. Nonprofits receiving $1 million or more from a single department are included in the pool regardless of whether they are jointly funded by another City department.
    a. "Singly funded" nonprofits receiving less than $1 million from a department are excluded from the pool but should receive some form of risk assessment and monitoring from the funding department, particularly those receiving $200,000 - $1 million (i.e., those which would be monitored via the Fiscal Monitoring Program if jointly funded).
4. To be considered "jointly funded," nonprofits must receive at least $50,000 from each funding department.
    a. Departments with grants below the $50,000 threshold are not required to participate in the monitoring for that nonprofit.
    b. Departments have discretion to include nonprofits receiving below $50,000, if deemed necessary by that department based on internal risk assessment procedures.
5. Jointly funded nonprofits with total City funding from participating departments greater than $200,000 are included in the pool.
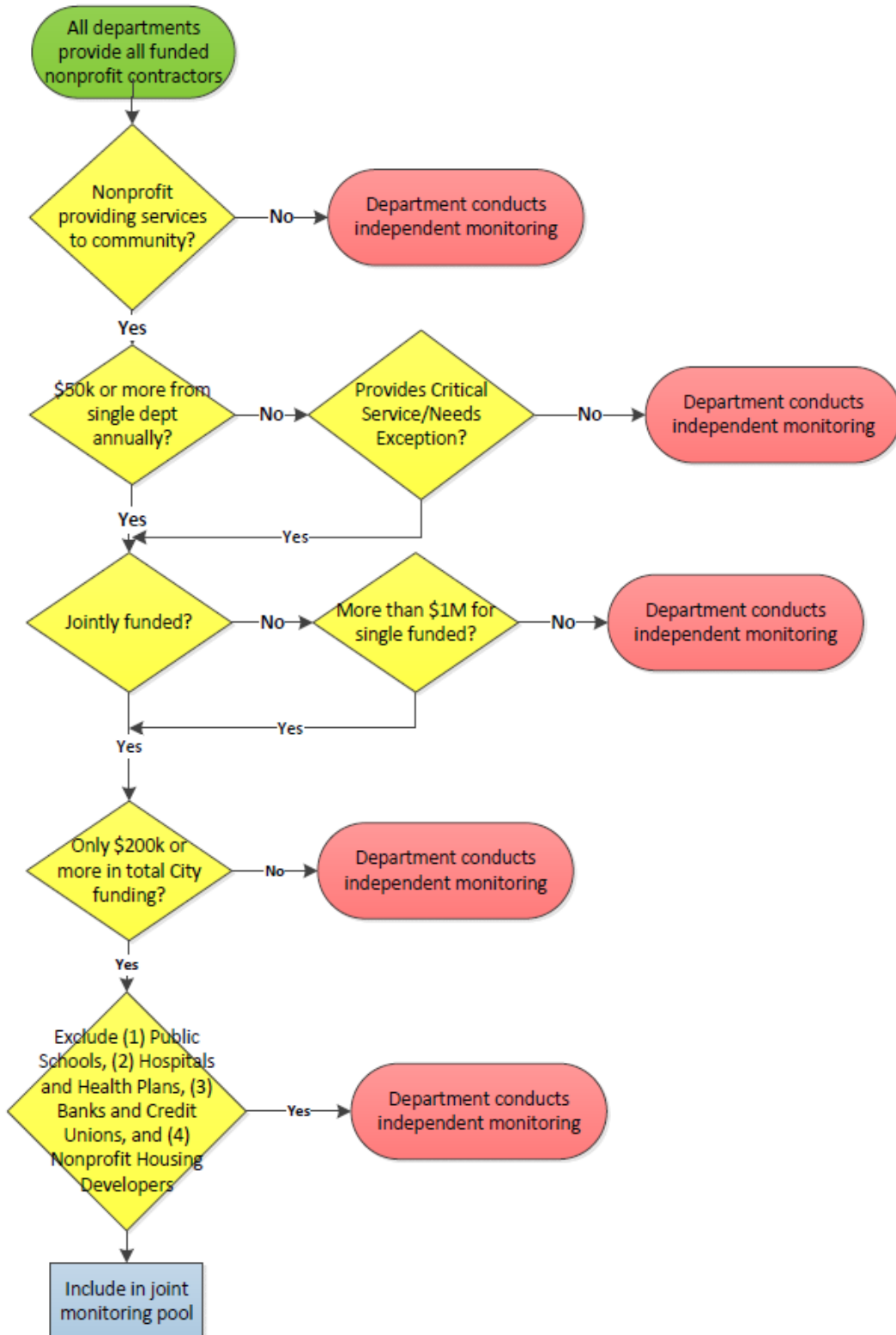
a. E.g., a jointly funded nonprofit receiving two $75,000 grants totaling $150,000 would be excluded from the pool, but a jointly funded nonprofit receiving two $100,000 grants totaling $200,000 would be included in the pool.
b. Departments have discretion to include nonprofits receiving below $200,000 in the pool, if deemed necessary. However, because these nonprofits are below the threshold, only the department(s) requesting the monitoring will be required to participate on the monitoring team.

Procedures for Development of Monitoring Pool

1. Departments must submit all pending and confirmed contracts for the fiscal year to the Controller's Office upon initiation of the annual Risk Assessment process which starts in August of each year.
2. The Controller's Office will use submissions and criteria to determine which contracts should be within the Monitoring Pool for that year.
3. If a department's nonprofit is no longer in the Monitoring Pool, that department should conduct an independent monitoring according to their department's policies.
4. The final Monitoring Pool list will only be finalized after the Steering Committee agrees on the list at the annual final Risk Assessment meeting which takes place in October or November of each year.

See the next page for a visual example of the Phase I Process for Development of the Monitoring Pool.

Nonprofit Monitoring Program's
Development of the Monitoring Pool

```
    ┌──────────────────────┐
    │ All departments      │
    │ provide all funded   │
    │ nonprofit contractors│
    └──────────┬───────────┘
               │
         ◇ Nonprofit providing services to community? ──No──▶ Department conducts independent monitoring
               │
              Yes
               │
         ◇ $50k or more from single dept annually? ──No──▶ ◇ Provides Critical Service/Needs Exception? ──No──▶ Department conducts independent monitoring
               │                                                │
              Yes ◀─────────────────────Yes─────────────────────┘
               │
         ◇ Jointly funded? ──No──▶ ◇ More than $1M for single funded? ──No──▶ Department conducts independent monitoring
               │                        │
              Yes ◀────────Yes──────────┘
               │
         ◇ Only $200k or more in total City funding? ──No──▶ Department conducts independent monitoring
               │
              Yes
               │
         ◇ Exclude (1) Public Schools, (2) Hospitals and Health Plans, (3) Banks and Credit Unions, and (4) Nonprofit Housing Developers ──Yes──▶ Department conducts independent monitoring
               │
               ▼
    ┌──────────────────────┐
    │ Include in joint     │
    │ monitoring pool      │
    └──────────────────────┘
```

Phase 2: Risk Assessment of Monitoring Pool

Policy for Risk Assessment of Monitoring Pool

1. Departments and the Controller's Office will assess each nonprofit in the pool according to a specific set of risk factors.
2. Each risk factor has an assigned weight, per the table below, and the total weight attributed to the nonprofit will add up to a score for the year.

ID	Risk Factor	Weight
A	Unresolved fiscal findings in prior monitoring report 　　　5 or more findings from list below – 15 points 　　　3-4 findings from list below – 10 points 　　　1-2 findings from list below – 5 points 　　　1 or more findings of any type other than the list below – 4 points	4-15 pts
B	Executive Director and/or CFO turnover within the last year	10 pts
C	Contractor has less than two years of City funding from any source	5 pts
D	Agency had major programmatic or operational changes in prior year	3 pts
E	Contractor has new funding department and had findings in the previous monitoring	3 pts
F	Contractor moved to a new location in the past year	1 pt
G	Contractor implemented a new IT system in the past year (e.g., new financial system, new client tracking system, etc.)	1 pt
H	Areas of Concern Contractor has risk factors of significant concern to one or more departments that may not appear through prior monitoring results or other criteria above. Examples of areas of concern may include: 　　　Lack of preparedness for past site visits 　　　Invoicing discrepancies 　　　Fraud or other major concerns that have come to light since the prior monitoring visit	12 pts

Unresolved Fiscal Findings List	
Category	**Standard**
Agency-Wide Budget	a. Current (fiscal or calendar year) b. Shows income and expense by program c. Shows allocation of shared and indirect costs by program e. Clearly identifies all revenue sources (City, state, federal)
Cost Allocation Procedures	a. 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. 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 e. Procedures for cost allocation match actual cost allocation found in agency-wide budget and financial documents such as invoices
Audited Financial Statements	a. Completed and complete: all sections and statements included; opinion and other audit letters are signed; b. Unmodified opinion c. No material weaknesses mentioned or going concern stated in the notes to the financial statements d. No current audit findings and/or questioned costs g. For any prior year findings, the Contractor has provided a reasonable explanation of how the Contractor has corrected all the findings For Organizations with a Single Audit: h. No material weaknesses mentioned or going concern stated in the notes to the financial statements i. No current audit findings and/or questioned costs j. For any prior year findings, the Contractor has provided a reasonable explanation of how the Contractor has corrected all the findings
Financial Reports	a. Balance Sheet is current (as of the last three months, at least) d. P&L Statement is current (as of the last three months, at least) e. Shows year-to-date (YTD) income and expense by program, contract or funding source, including indirect costs
Invoices	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
Payroll	a. State (DE 9 and DE 9C) 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 b. Employees paid with City funds listed on invoices checked in Section 7 above are listed on the DE 9 and DE 9C for the quarter(s) that includes the monitoring months under review c. Documentation that payroll taxes due were actually paid

3. Scores are placed on a risk scale, which correlates with a recommended type of monitoring for the year, per the table below.

Score Range	Risk Level	Recommended Monitoring Type
0 – 3	Low Risk	Waiver
3 – 9	Moderate Risk	Core monitoring
10 +	High Risk	Expanded monitoring

4. The policy allows for cyclical time factors to adjust the recommended monitoring type, as described below.
    a. Nonprofits may receive a waivers for two consecutive years as long as the annual risk assessment confirms each year that the nonprofit's risk level remains "low."
        i. After two years of a waiver, a nonprofit must be monitored even if its risk level remains "low."
        ii. The monitoring immediately following the waiver can be a core monitoring (unless risk level is assessed to be "high").
        iii. A nonprofit must receive an expanded monitoring before another waiver is allowed.
    b. A nonprofit can receive a core monitoring for three years, with annual risk assessment confirming risk level is "low" or "moderate."
        i. After three years of a core monitoring, a nonprofit must receive an expanded monitoring on the fourth year, even if risk level remains "low" or "moderate."

Time Factors	
Waivers	Up to two years given "low" risk each year.
Core Monitoring	Allowed following a waiver given appropriate risk level.
	Up to three years given appropriate risk each year, with an expanded monitoring required after the third year regardless of risk.
Expanded Monitoring	Required following three years of core monitoring.
	Required once within a continuous four-year period.

5. The Controller's Office will use this policy to provide recommendations for type of monitoring to the Steering Committee. Funding departments will use consensus to determine the final type of monitoring for each nonprofit in the pool for the year.

Procedures for Risk Assessment of Monitoring Pool

1. The Controller's Office will compile the list of nonprofits determined to be in the pool or otherwise requested to receive a Risk Assessment starting in August of each year.
2. Prior to providing the list to departments, the Controller's Office will populate the Risk Assessment with any known information, such as prior year findings, history of monitoring (e.g., recent waivers or history in the pool).
3. The Controller's Office will provide a template and process for departments to answer questions about the nonprofits they fund. Departments are responsible for ensuring the information provided is accurate and current, which may include consulting internally with program staff to determine if there have been problems or major changes within the organization since the last monitoring visit. This process is typically from late September to October of each year.
4. The Controller's Office will analyze the results of the Risk Assessment to apply the weights to various risk factors and develop a recommendation for a type of monitoring for the year. The

recommendation will take into account any time frames policies, such as how often consecutive self-assessments are allowed. This process typically is in October of each year.

5. The Controller's Office will convene departments to review and make final, consensus-based decisions about the type of monitoring each nonprofit in the pool will receive that year. Departments are responsible for ensuring a person with the ability to make decisions for the department attends the entire meeting. This process typically is in October of each year.

6. The Controller's Office will finalize and distribute the Master List for final changes prior to the launch of the annual monitoring cycle. This process typically is in late October to November of each year.

7. The Controller's Office will conduct a "Phase 3" review by the Quarter 2 Steering Committee Meeting to determine if any new nonprofits must be added to the pool and be assessed. If departments have added any new contracts since the start of the Risk Assessment process, they should be incorporated into the Master List at this time.

Policy Exceptions

Exceptions related to Type of Monitoring

The policy dictates the type of monitoring (or waiver) the nonprofit will receive based on the established criteria. Departments may request exceptions in the following circumstances:

- Funding source requires a site visit or expanded monitoring.
- Department is newly funding the nonprofit and wants a site visit or expanded monitoring.

In such cases when one (or more) department(s) wants a higher level of monitoring than the policy dictates, this becomes "discretionary" and does not require the entire monitoring team to participate.

- If the nonprofit has been granted a waiver but one department requires or requests an expanded monitoring, the discretionary department will conduct the monitoring alone (other departments may participate if they choose).
- If the nonprofit has been assigned a core monitoring but one department requires or requests ~~and~~ site visit, the discretionary department will become the lead department for the monitoring and will conduct the monitoring alone (other departments may participate if they choose).
- In all cases, the discretionary department should include the other funding departments in communication about the monitoring, including the issuance of the monitoring report letter and any subsequent correspondence. Non-participating departments agree to accept the results of the monitoring as performed by participating departments.

In such cases when one (or more) departments wants a lower level of monitoring than the policy dictates, all funding departments must agree to the exception and document rationale for the change in risk level.

Team Size Exceptions

Program guidelines dictate that all departments participate in the joint monitoring process when they fund a nonprofit in the pool. When a nonprofit has **more than three** funding departments, the size of the team can be limited.

- The team should include members from at least **three** of the funding departments, with members beyond those three being discretionary based on departmental interest or need. The Controller's Office will develop a process to ensure the make-up of these teams is equitable and balanced across departments, as feasible.
- While the majority of standards apply to the organization as a whole, there are some standards that are tested using department-specific information (e.g., invoices, payroll, subcontracts). Non-participating departments must still conduct invoice documentation review for their own contracts, per the above policy, but agree that other department-specific materials related to these items will not be explicitly monitored.
- Regardless of participation on a specific team, all funding departments will be included in communication about the monitoring, including the issuance of the monitoring report letter and any subsequent correspondence.
- Non-participating departments agree to accept the results of the monitoring as performed by participating departments.