City & County of San Francisco

Clearer Expectations and Communication Are Key to a Stronger Partnership With the African American Art and Culture Complex

San Francisco Arts Commission

Why It Matters

The African American Art and Culture Complex experienced management gaps that contributed to errors in its grant reporting that put its administration of city grants at risk. However, the San Francisco Arts Commission can clarify reporting requirements, improve grant agreements, and further consider grantees' capacity to perform the work required of them under their grant agreements.

Prepared by

OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

August 31, 2026

About the Controller's Office

The Controller is the chief financial officer and auditor of the City and County of San Francisco (City). We produce regular reports on the City's financial condition, economic condition, and the performance of city government. We strive to be a model for good government and to make the City a better place to live and work.

About the Audits Division

The City Services Auditor (CSA) was created in the Controller's Office through an amendment to the San Francisco Charter that voters approved in 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

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AUDIT AUTHORITY

This audit was conducted under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives. The Audits Division is independent per GAGAS requirements for internal auditors.

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

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August 31, 2026

San Francisco Arts Commission
401 Van Ness Avenue, Suite 325
San Francisco, CA 94102

Matthew Goudeau
Executive Director of Arts and Culture
San Francisco Arts Commission
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Dear Commission President Collins, Commissioners, and Executive Director Goudeau:

The Office of the Controller, City Services Auditor (CSA), Audits Division, presents its report of the audit of the management and oversight practices of San Francisco Arts Commission (Arts Commission) related to grants awarded to the African American Art and Culture Complex (AAACC). The audit had as its objectives to determine whether the AAACC appropriately administers grant funds and complies with reporting requirements. This includes evaluating the adequacy of the Arts Commission's management of its grant agreements.

The audit concluded that the Arts Commission should clarify reporting requirements, improve grant agreements, and further consider grantees' capacity to perform the work required of them under their grant agreements. Also, the audit identified gaps in AAACC's management practices, which resulted in inefficient use of its resources and errors in its grant reporting.

The report makes 12 recommendations for the Arts Commission including that it should provide employees with training, guidance, and tools to improve consistency in grant reviews and properly assess applicants' capacity to meet all grant requirements. The Arts Commission's and AAACC's responses are attached as an appendix. CSA will work with the department to follow up every six months on the status of the open recommendations made in this report.

CSA appreciates the assistance and cooperation of all staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 628-652-9924.

Respectfully,

Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

Executive Summary

The audit reviewed whether the African American Art and Culture Complex (AAACC) properly fulfilled its obligations under selected grant agreements with the City and County of San Francisco (City), represented by the San Francisco Arts Commission (Arts Commission), and whether the Arts Commission adequately oversaw the grants.

WHAT WE FOUND

AAACC experienced management gaps that contributed to errors in its grant reporting putting its administration of city grants at risk. However, the Arts Commission can better support grantees by providing clearer guidance, fixing errors in grant agreements, and considering grant applicants' capacity.

Why It Matters

The Arts Commission supports San Francisco-based artists, arts organizations, and communities through grants, arts education initiatives, and community-based cultural centers. Grantees complete reporting to demonstrate completion of grant activities, and the department reviews them to ensure appropriate use of grant funds. However, the clarity and communication of requirements directly affects the reporting experience and usefulness of reports.

Disconnects and Gaps in the Grant Process

Arts Commission's inconsistent information on requirements

Confusion on expectations

Payment Delays

Arts Commission's lack of adequate reviews in grant development

Errors in grant agreements

Cash flow interruptions and disputes

AAACC's Financial Management Gaps

No board treasurer and finance manager; reliance on consultants

May have contributed to lack of support for subgrantees

Arts Commission received little interest for $2.1M in Dream Keeper Initiative funds

Commission gave AAACC new grant duties without guidance or assessing its capacity

Need for better monitoring

Key Recommendations for Arts Commission

- Provide employees with training, guidance, and tools to improve reviews
- Distribute standardized templates for required financial reports
- Ensure its grant awarding criteria include all necessary considerations including the applicant's capacity and capability

Contents

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Glossary

AAACC	African American Art and Culture Complex
Arts Commission	San Francisco Arts Commission
City	City and County of San Francisco
CSA	City Services Auditor, Audits Division
DKI	Dream Keeper Initiative

Introduction

The San Francisco Arts Commission (Arts Commission) leases out space and provides grants to nonprofit organizations (nonprofits) to support several cultural centers in San Francisco. The community-based cultural centers provide accessible arts opportunities for all San Franciscans through its cultural and arts programs. This audit looked at how well the Arts Commission has managed selected grant agreements with the African American Art and Culture Complex.

BACKGROUND

African American Art and Culture Complex (AAACC)

AAACC is a California nonprofit whose mission is to nurture and facilitate the empowerment of its community through afro-centric artistic and cultural expression, mediums, education, and programming. Located at 762 Fulton Street, the center is meant to be a space for Black creatives to present, gather, and learn, and a place for all to experience black art and culture. Its facilities include a gallery space, dance studio, 203 seat theater, library archive of African American history, and multipurpose event spaces.

As part of fulfilling the center's mission to be a vital contributor to San Francisco's cultural life, AAACC provides art and cultural programming for youth, adults, and families and, and offers affordable facility rentals for events. AAACC also provides fiscal sponsorship services to projects that align with its charitable purposes, including providing grant support to the grantee.

Cultural Centers

As provided for in the City's Administrative Code, the City funds its cultural centers through hotel tax revenues. The revenues ensure the cultural centers remain open and accessible and remain vital contributors to the cultural life of the city.

San Francisco Arts Commission (Arts Commission)

The Arts Commission's Community Investments program supports San Francisco-based artists, arts organizations, and communities with an equity lens through grants, technical assistance, arts education initiatives, and community-based cultural centers. The program is led by the Director of Community Investments who manages a team of program officers[1] overseeing various grant programs and aspects of the grantmaking process, including, but not limited to, cultural center programming, fiscally sponsored grantees, grant panel facilitation, invoicing and payment, and special initiative activity.

[1] An Arts Commission staff member assigned to a specific grant category or grantee docket.

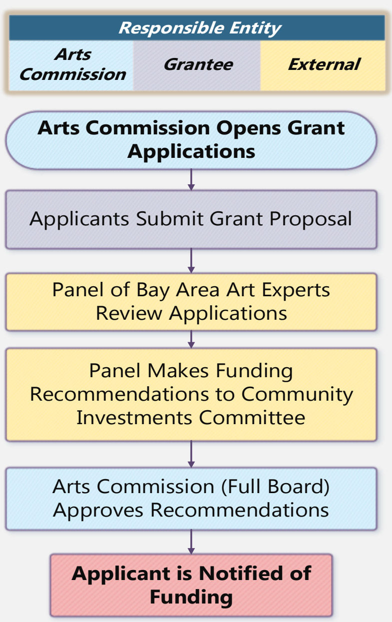
The Arts Commission funds grants by grant categories, each with specific submission deadlines, assigned program officer, scoring criteria, and grant terms. Grant categories for a given fiscal year are summarized in a document published on Arts Commission's website.[2] For the fiscal year 2025-26 grant cycle, the categories included San Francisco Artist Grants, Artistic Legacy Grant, Arts Impact Endowment, Cultural Center Grants, and Cultural Equity Initiatives.

As a cultural center, AAACC receives annual funding through the cultural center grant category to support ongoing operations. From fiscal years 2021-22 through 2023-24, payments under this category totaled an estimated $2.7 million. In addition to this core funding, the Arts Commission awarded AAACC an estimated $3.6 million through other grant categories to support activities such as educational workshops, arts programming, and regranting to artists.

Grant Cycle

Grant Proposal and Awarding

Exhibit 1: Grant Process from Announcement to Award



Source: CSA created based on Arts Commission supporting documentation

Exhibit 1 shows the Arts Commission's grant-awarding process. Applicants submit application using an online grants portal and required application materials include a project summary, grant plan, and budget, which, if approved, will be entered into the grant agreement. Additionally, applicants submit samples of past work, answer questions about how the proposed project will provide a public benefit and describe their understanding of racial equity.

Cultural Center grants. City law allows the Arts Commission to award cultural center grants as sole source grants. Cultural center submit annual plans outlining projected programmatic and organizational activities, budgets, and organizational structure, including job descriptions. The Arts Commission provides a template for these plans, including example outcomes, activities, and performance measures. The Arts Commission requires cultural centers to notify them if they anticipate significant changes to program activities.

Reporting

The Arts Commission requires grantee to provide, in a prompt and timely manner, satisfactory financial, operational, and other reports.

[2] Fiscal Year 2025-2026 Grant Guidelines, San Francisco Arts Commission, https://www.sfartscommission.org/sites/default/files/ART_guidelines26_FINAL.pdf

These include interim reports to provide progress on grant activities and outputs and final reports to indicate the details and dates of completion for each grant activity in the grant plan. Required documents to upload with final reports include proof of insurance, photo documentation, and financial documentation. Satisfactory submission of all necessary compliance documentation is required before grant payment. The Arts Commission requires fiscal sponsors to ensure timely reporting from subgrantees.

Payment

The Arts Commission makes initial, interim, and final payments throughout the grant process. It releases the initial payment after it receives the signed grant agreement and releases interim and final payments after it approves the grantee's reporting on its progress toward completing the planned grant activities. The breakdown of the initial, interim, and final payments vary depending on the grant category. The Arts Commission requires fiscal sponsors to ensure timely payments to subgrantees, and that they are paid the full grant amount prior to the submission of the final report.

OBJECTIVES

The objectives of the audit were to:

- Evaluate the adequacy of the Arts Commission's management of its grant agreements with the AAACC.
- Determine whether the AAACC appropriately administers grant funds and complies with reporting requirements.

SCOPE

The audit focused on grant agreements that were active in fiscal year 2023-24.

METHODOLOGY

To achieve the objectives, we:

- Selected a purposeful sample of 9 grant agreements that targeted high-value or high-risk grants, specifically funding for:
    - Annual general operating support
    - Fiscal sponsorships
    - Regranting

- Reviewed grant agreements and city/departmental policies and procedures to understand compliance requirements.
- Reviewed grant reporting materials to assess completion of grant activities, including submission of the final report.
- Interviewed key staff at the Arts Commission and AAACC involved in the administration of grants.

Results

Finding 1 – Differences between written requirements and expectations of what financial information to provide fueled reporting confusion and payment delays.

Grantees must submit:

Narrative Report
Describes activities and outputs as outlined in grant plan, referencing grant agreement and explaining how each was achieved.

Financial Reports

- **Grant expense report** details income and expenditures of grant funds, which should align with approved budget.
- **Profit and loss statement** covers two most recently completed fiscal years.
- **Balance sheet** covers two most recently completed fiscal years.

Source: Arts Commission

AAACC was 9 to 240 business days late in submitting required final reports under 5 of the 9 Arts Commission grant agreements we reviewed, significantly delaying the commission's final payments. These delays contributed to AAACC's cash flow issues and ability to pay its expenses on time. Unclear financial reporting requirements and staff turnover contributed to these delays.

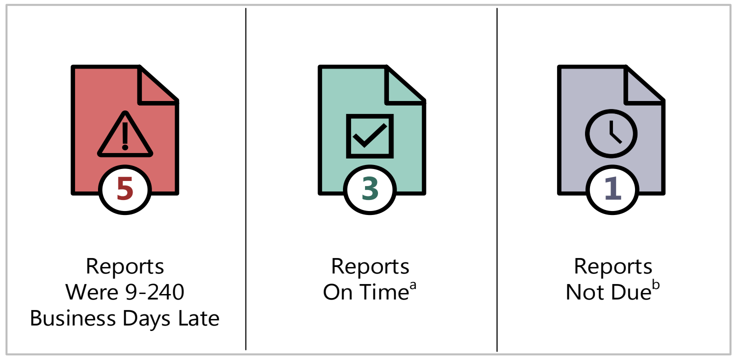
Many AAACC final reports were late, contributing to delays in grant payments.

The grant agreement requires AAACC to submit interim[3] and final reports to receive payment from the City. These reports include narrative reports and financial reports, which provide progress updates on the grant activities. Before paying AAACC, the Arts Commission must review the reports to ensure AAACC is making acceptable progress toward the objectives in the grant plan and is spending the grant funds appropriately.

These reports are required to describe the impact of grant funds and challenges and progress on each grant plan activity. Based on the sample we reviewed, AAACC's final reports show that it generally completed all grant plan activities and met documentation requirements. However, it submitted 5 of 9 sampled grant final reports late, as shown in Exhibit 2.

[3] Final reports are always required, whereas interim reports may be required for longer grant periods.

Exhibit 2: AAACC submitted 5 of 9 sampled grant final reports late; reports were 9 to 240 business days late



Notes:
[a] 2 of the 3 reports were considered on time based on the due date in the amended grant agreement. Without these amendments, the report would have been late.
[b] The agreement for the 2024 Dream Keeper Initiative grant (24DKI01) was amended such that the final report was due on June 30, 2026.

Source: CSA analysis of 9 sampled grant agreements

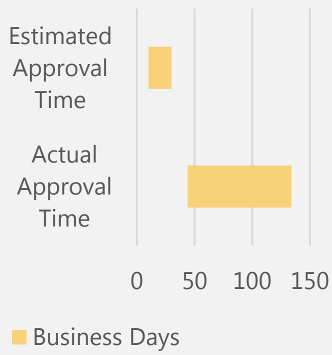
Thus, our review of a sample of 9 Arts Commission grant agreements found that AAACC:

- Submitted 5 final reports late, ranging from 9 to 240 business days late, or an average of 62 days late.
- Submitted 3 final reports on time.
- Did not have to complete 1 final report because it is not yet due.

When AAACC submitted a report late, the Arts Commission enforced its late reporting policy. This caused the department to pause payments for all AAACC grants until AAACC submitted the missing report and the Arts Commission approved it.

According to AAACC, it submitted reports late in part because of misunderstandings over reporting requirements caused by the Arts Commission's unclear communication of the requirements. The miscommunications' effects were worsened by staff turnover at both the Arts Commission and AAACC.

Exhibit 3: Approval Time Far Exceeded the Arts Commision's Estimates



Source: CSA analysis of AAACC grants

The Arts Commission's long approval times further delayed payments.

For the 9 sampled grants where the final report was submitted during the audit period, the Arts Commission took between 44 and 135 business days to approve the final reports, with an average approval time of 81.5 days. This is more than twice the department's estimated approval time of 10 to 30 days, as shown in Exhibit 3.

According to AAACC, withholding of funding resulted in significant financial strain on AAACC, further noting that they were on the brink of closing. AAACC may have experienced cash flow issues because of policy changes that reduced the amounts of advances it receives and shifted most funding from advances to progress-based disbursements. This existing cash flow issue worsened the impact of the department's prolonged review process.

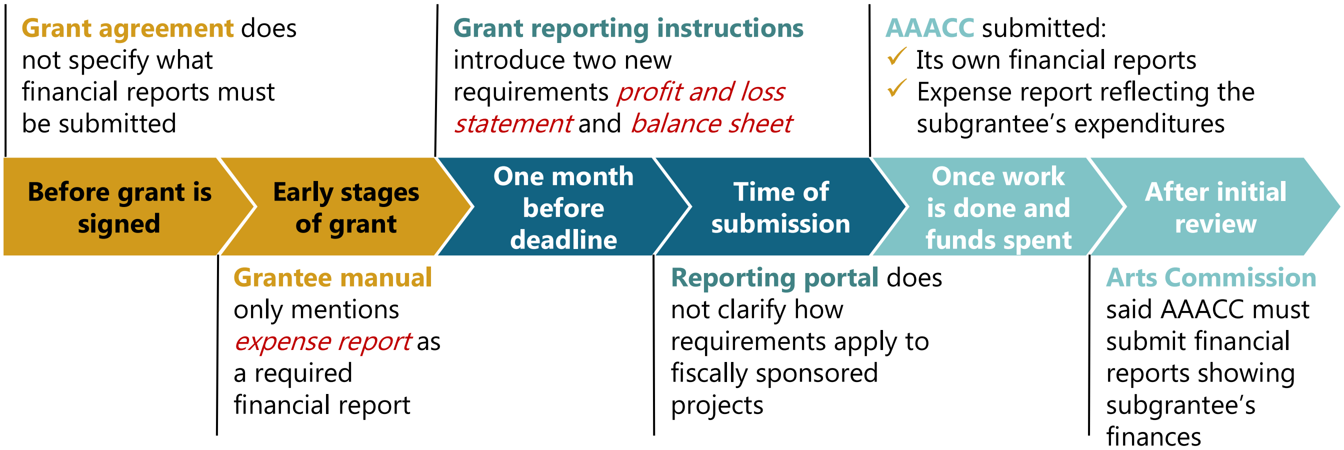
The Arts Commission provided inconsistent information to AAACC, contributing to misunderstandings that led to delays.

According to AAACC, there should be more guidelines on reporting and there is disagreement regarding the submission of financial information. According to the Arts Commission, its staff reinforces the reporting requirements listed in the contracts by sending grantees reminders as report due dates near. However, inconsistencies exist among these sources, increasing the risk of misunderstandings, unnecessary rework, and frustration.

The reporting requirements are particularly unclear for fiscal sponsorships. The grant agreement does not clarify whose financial documents should be provided along with grant reporting. Whereas the grant reporting instructions state that financial reports are only required for organizations. However, this contradicts the Arts Commission's actual practice, which was to specifically ask for financial reports for a subgrantee artist who is an individual, not an organization. Unsurprisingly, this led to frustration among the parties involved as it may be unrealistic to expect individual artists to create financial reports for themselves.

Exhibit 4 summarizes the inconsistencies in the financial information stated as required by various sources and the resulting harm for a sampled grant.

Exhibit 4: Unclear financial reporting requirements led to late changes, rework, and frustration



Source: CSA analysis of Arts Commission reporting materials, grant correspondence, and management interviews

If the Arts Commission expects submitted financial reports to reflect the subgrantee's finances, it should clearly communicate that in writing before the grant begins. This would help fiscal sponsors and subgrantees understand the City's reporting expectations and prepare them to collect the data to generate the reports. This may also reduce the risk of misunderstandings, delays, and frustration during grant closeout.

The Arts Commission's staff turnover and evolving policies confused expectations.

The way Arts Commission program officers communicate and enforce requirements is critical to setting expectations. Program officers review grant reports to understand how grantees spent funds and decide whether reports satisfy the grant requirements before releasing payment.

However, differences among how program officers enforced requirements caused AAACC to be unable to predict whether the Arts Commission would accept their reports as compliant, even if AAACC had provided similar information in past, approved submissions.

According to Arts Commission staff, past program officers at the Arts Commission approved reports without required financial information, such as expense reports, financial reports, and proof of payment to subgrantees. Also, staffing changes at the Arts Commission led to more stringent enforcement and the need for its relationship with AAACC to be rebuilt.

Besides changing enforcement of financial reporting requirements, Arts Commission management stated that they did not enforce the late reporting policy until they arrived, which allows the department to suspend payments to a grantee deemed noncompliant. However, in fiscal year 2024-25, the Arts Commission began enforcing the policy and paused payments to AAACC until it met the reporting requirements for all active grants. According to AAACC, this severely hampered its cashflow and estimated that the Arts Commission was withholding more than $1 million in funds.

RECOMMENDATIONS

The Arts Commission should:

1. Ensure current and future grant agreements clearly state the financial documents required both for primary grantees and subgrantees considering both the legal structure of the parties and the relationship between the parties.

2. Distribute standardized templates for required financial reports to promote consistency and completeness in grantee submissions.

3. Establish a policy defining what conditions will trigger the department to pause payments across all grants, and a progressive process for notifying grantees when they are in danger of triggering the late reporting policy.

4. Include a list of required supporting documentation and due dates in the grant agreement.

5. Provide employees with training, guidance, and tools to improve consistency in grant report reviews across personnel.

Finding 2 – Errors in grant agreements and flaws in the online report portal contribute to misunderstandings, make grant monitoring harder, and delay payments.

The grant agreements between the Arts Commission and AAACC have several types of flaws that contributed to confusion and conflict, which in turn led to payment delays. Each agreement includes a *grant plan* and *grant budget.* The plan explains what the grantee will do and the budget shows how much it will cost and how the money will be used. We found problems in both the plans and budgets in the grant agreements we reviewed.

City Guidance on Grant Plans and Budgets

The City recommends that departments:

1. Insert detailed and specific description of the activities for which the grant funds are to be used.
2. Be sure to include any modifications to the grant plan.
3. Keep in mind that the grant plan will be most helpful in the event the grantee is not doing what the department had intended.
4. Include a budget.

Source: Office of Contract Administration

Problems With Grant Agreements. The agreement requires that all activities conducted under the grant remain consistent with the approved plan and that expenses stay within the agreement's budget. Arts Commission staff must review grantees' final reports to verify compliance by comparing budgeted to actual costs and confirming that completed activities align with the grant plan. However, this is made more difficult by flaws in the grant agreements.

Four types of flaws in the sample grant agreements may increase the risk of later disagreements between the Arts Commission and AAACC, causing review and payment delays:

- Incorrect terms. Plan has inaccurate language, which makes it difficult to ensure that the department and grantee have the same expectations.
- Ineligible costs. Budget contains expenses that are expressly disallowed by another part of the agreement.
- Insufficient cost itemization. Budget does not clearly itemize salaries or fiscal sponsorship fees and/or omits indirect costs.
- Key policies missing or inconsistently placed. Agreement omits key policies affecting grant administration, including how the City will disburse funds to the grantee.

Exhibit 5 shows examples of errors found in the plans and budgets in the sampled grant agreements.

Exhibit 5: Examples of errors in grant agreements that led to unclear expectations and complicated report reviews, contributing to significant delays in grant payments

Issue	Examples From Sample of 9*	Risk
Incorrect Terms	• "Regranting" inaccurately included as an activity in plan.	Inconsistent expectations for use of grant funds
Ineligible Costs	• $20,000 for ineligible expenses (lodging, meals, and travel) in budget.	Improper use of grant funds
Insufficiently Itemized Costs	• Fiscal sponsorship service costs not itemized in budget. • Salaries inconsistently itemized in or omitted from budget. • Indirect costs omitted from budget.	Disagreement over cost eligibility
Inconsistently Placed or Missing Policies	• Amendment policy inconsistently included and variably located; reporting requirements sparsely introduced and contradictory to actual enforcement.	Weaker policy compliance

* The errors noted here are illustrative rather than exhaustive, and no complete tally of errors was performed.

Source: CSA analysis of sampled grant agreements and grant reports

These flaws make it harder for Arts Commission staff to review AAACC's grant reports and make consistent and fair decisions on issuing payments. In turn, these difficulties delayed payments, as Arts Commission program officers often had to reach out to AAACC for corrections and clarifications, before they could approve payments. This likely contributed to delays in report approvals and payments discussed in Finding 1.

Problems With Online Report Portal. The Arts Commission uses an online report submission portal that grantees must use to explain how they completed each activity in their grant plan(s). Grantees must also use the portal to upload financial reports showing that their spending matches the approved grant budget. The reporting process focuses on the work done, as indicated by the terms used in the portal's instructions, such as *progress*, *completion*, and *output*.

The online portal primarily functions as a document submission tool. Meanwhile, grantors from outside the City may prompt applicants to report budget and programmatic changes. As a result, identifying these issues is largely left to the Arts Commission after receiving the report. This approach can create inefficiencies and increases the risk that important updates may not be clearly disclosed or consistently captured.

This matters because changes happen. By comparing grant plans to grant reports for the sample of 9 grant agreements, we found examples in which AAACC:

- Did not hold a planned event or changed the nature of the event it originally planned to hold.
- Changed its hiring plans.

In some cases, AAACC provided enough context for us to understand these changes, but in other cases it did not.[4] This may explain why an Arts Commission employee described the reports as murky. Meanwhile, AAACC stated that the instructions for reporting completed activities are too vague. We concur with both statements and find that the problems with grant agreements and online report portal likely contribute to their poor views of the reporting process.[5]

[4] We did not assess whether the updated activities were consistent with the grant's purpose, as that was beyond the audit's scope.
[5] *Standards for Internal Control in the Federal Government* states management should develop the entity's information system to obtain, generate, and process relevant data into quality information, https://www.gao.gov/assets/gao-25-107721.pdf

RECOMMENDATIONS

The Arts Commission should:

6. Develop controls over its process for developing grant agreements to minimize errors including (a) clear provisions on indirect costs, (b) fiscal sponsorship fees, (c) no ineligible expenses, and (d) an appropriate level of detail to ensure accountability but allow minor changes to planned activities without an agreement amendment.

7. Ensure the grants portal automatically populates existing grant information to streamline reporting for grantees and minimize errors.

8. Implement controls over changes to grant plans including (a) a clear process for grantees to request changes, (b) maintaining documentation of changes and approvals, (c) updating the grant portal with any changes to ensure reporting and reviews include the most current information, and (d) keeping grantees informed of approved changes.

9. Establish a process to keep grantees informed about the status of reviews of report submissions and fund disbursements.

10. Enhance its budget template to include separate line items for consultants and in-house staff and their pay structures.

Finding 3 – Gaps in the board and management structure exposed AAACC to risk and inefficient use of both internal resources and Arts Commission staff time.

Despite receiving increasing levels of funding and assuming expanded fiscal responsibilities, AAACC did not have a board treasurer for at least three years, and its fiscal staffing was primarily supported by consultants until hiring a managing director in January 2024. Exhibit 6 summarizes the status of AAACC's board treasurer and fiscal staffing for fiscal years 2019 through 2024.

Exhibit 6: From 2022 to 2024, AAACC did not have a board treasurer and did not hire an in-house manager to support the executive directors with fiscal oversight until January 2024.

Fiscal year ending	2019	2020	2021	2022	2023	2024
Board Treasurer	Filled	Filled	Filled	Vacant	Vacant	Vacant
Fiscal Staffing	Executive director[a]	Consultant[b]	Consultant[c]	Consultant[c]	Vacant[d]	In-house[e]

Notes:
[a] The *Cultural Center Management and Programming Plan and Budget* for fiscal year 2018-19 states one of the executive directors is the primary contact for fiscal oversight.
[b] A consultant was contracted from June through October 2019 to provide bookkeeping services.
[c] A consultant was contracted from April through October 2021 to provide financial services.
[d] According to AAACC, a consultant provided financial services from June 2019 to June 2025, but AAACC did not provide documentation to support that the consultant provided services after October 2019.
[e] AAACC employed a Managing Director from January 2024 to December 2024 whose responsibilities included fiscal oversight.

Source: CSA analysis of AAACC tax filings, subcontractor agreements, and grant documentation

According to AAACC, they have had challenges recruiting candidates who meet the needs of the organization and these challenges were compounded by the COVID-19 pandemic.

AAACC assigns fiscal duties to the board treasurer, including having charge of all funds, keeping correct accounts of business transactions, and certifying its financial state in reports. Therefore, vacancies can negatively impact AAACC's fiscal oversight and reporting functions. Also, AAACC's bylaws do not address how the treasurer's duties are to be reassigned when the position is vacant, furthering the risk of inadequate oversight.

Until January 2024 when AAACC hired a managing director with fiscal oversight responsibilities, AAACC hired consultants to support its executive directors, which included bookkeeping, financial reporting, and monitoring of fiscal sponsorship accounts. However, although the consultants appear to have provided essential support, outsourcing financial management long-term may lead to gaps in accountability and harm an organization's ability to fulfill its mission. For example, this may have contributed to AAACC not having records of past report submissions, needing last-minute training before report deadlines, and not being able to support subgrantees with reporting requirements.[6]

[6] *Standards for Internal Controls in the Federal Government* states that management retains responsibility for the effectiveness of controls over business processes assigned to service organizations, https://www.gao.gov/assets/gao-25-107721.pdf

At a national level, nonprofits led by people of color are challenged by limited professional networks, funding barriers, and inadequate salaries.[7] In addition, many nonprofits struggle to offer salaries that meet local cost-of-living needs, making recruitment and retention of qualified staff a persistent challenge across the sector.[8] These equity implications and wage pressures exist in San Francisco, and therefore, may affect AAACC's ability to recruit and retain staff.[9]

RECOMMENDATION

11. The Arts Commission should develop and explore approaches, guidance, and resources to assist grantees with staffing and board recruitment challenges and to promote grantees' organizational sustainability.

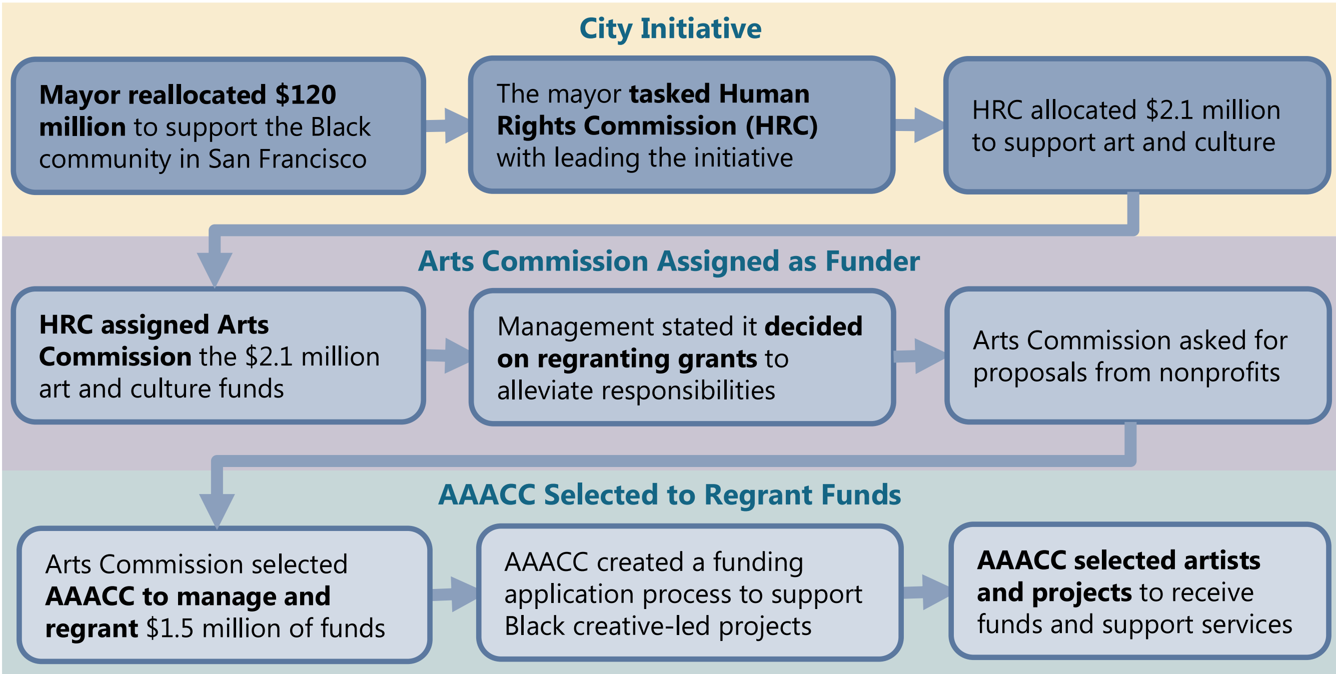
Finding 4 – The Arts Commission gave new regranting responsibilities to AAACC without considering its capacity to adequately manage them, but learned from the experience and amended its policy accordingly.

Mayor Breed launched the Dream Keeper Initiative (DKI) to address disparities and inequities that exist for the Black community, naming the Human Rights Commission (HRC) as the core department. The City worked with the community to identify key focus areas to fund, including funding community organizations and expanding capacity of City programs and initiatives.

HRC assigned the Arts Commission to manage $2.1 million in funds to support arts and culture. Exhibit 7 summarizes the flow of DKI funds to San Francisco's Black community through AAACC as an intermediary grant maker.

[7] Building Movement Project, *Race to Lead: Confronting the Nonprofit Racial Leadership Gap* (2017), https://buildingmovement.org/wp-content/uploads/2019/08/Race-to-Lead-Confronting-the-Nonprofit-Racial-Leadership-Gap.pdf
[8] Nonprofit Finance Fund, *2025 State of the Nonprofit Sector Survey* (2025), https://nff.org/wp-content/uploads/NFF-2025-Survey-Report-1.pdf
[9] Office of the Controller, *Nonprofit Wage and Equity Survey* (2023), https://openbook.sfgov.org/webreports/details3.aspx?id=3238

Exhibit 7: The Arts Commission partnered with AAACC to augment its grants management

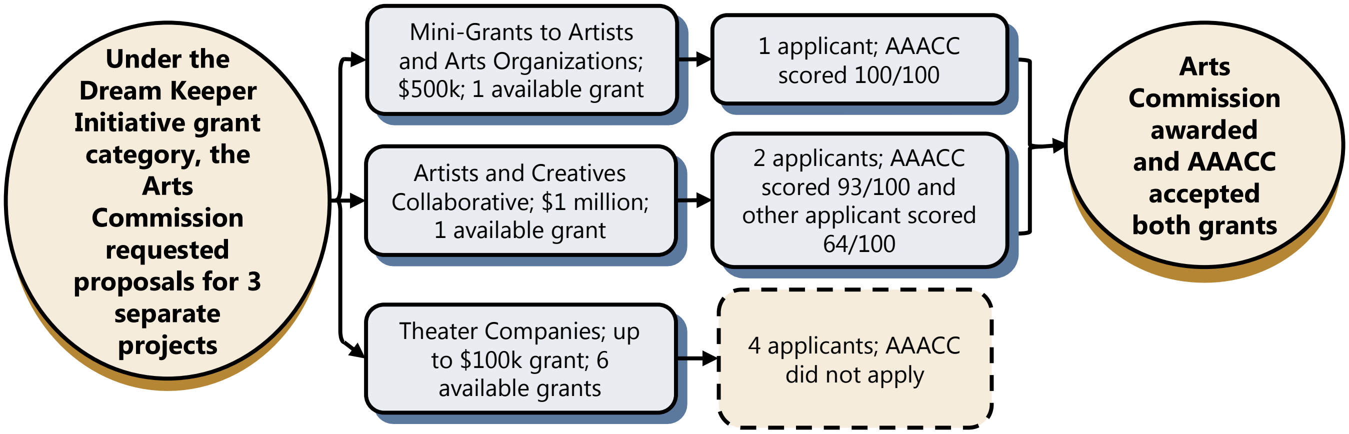


Source: CSA analysis of grant planning documents, solicitation materials, award records, grant reports, and interviews

The Arts Commission chose and signed a grant agreement with AAACC in July 2021, after seeking proposals from community organizations to apply for a grant that has as a primary purpose allowing the grantee to regrant some of the funding to other organizations and individuals. In their proposals, applicants explain how they advance artists, their short and long-term vision for the DKI project, and how they would decide who receives services funded by the grant. As shown in Exhibit 8, the Arts Commission received few proposals and ultimately selected AAACC to manage two grants under two proposals, with funding totaling $1.5 million.

Exhibit 8: The Arts Commission's request for proposals received little interest, resulting in AAACC being selected for two available grants

Arts Commission received few proposals, which may suggest that few organizations had the interest, skills, and capacity to perform the DKI-funded work.

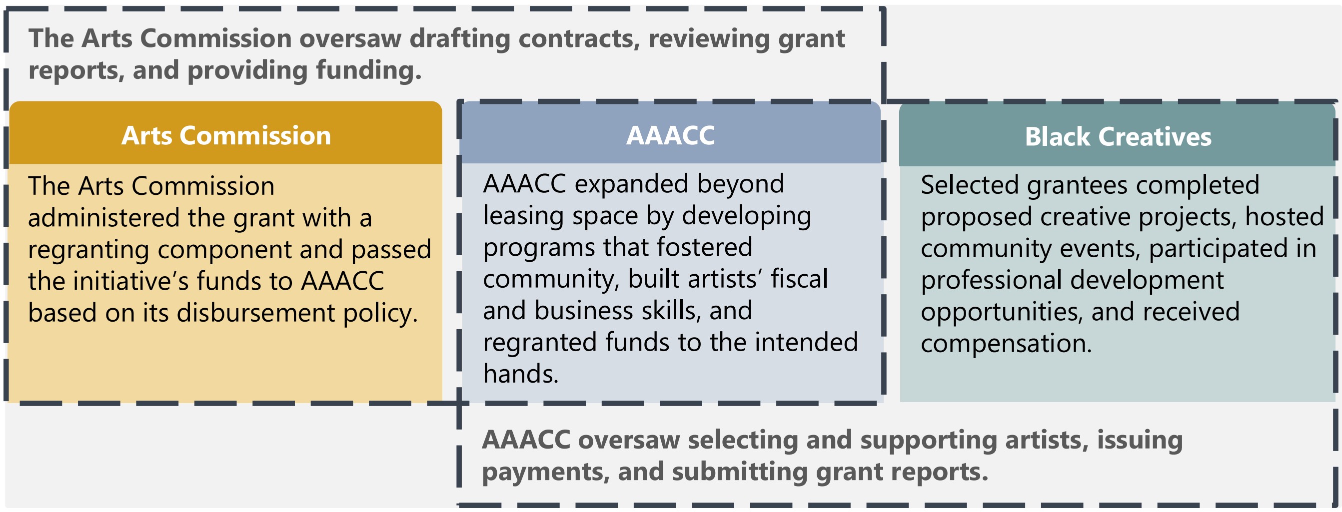


Source: CSA analysis of solicitation materials and award records

These grant awards expanded AAACC's duties to include grant-making. This requires developing guidelines, scoring proposals, and supporting grantees. Before this, AAACC's primary contracted duties were to maintain and operate the culture center space, which are major responsibilities, but the new duties were a significant expansion.

In this partnership, the Arts Commission provides funding, drafts agreements, and reviews reports, while AAACC carries out the operational work, including selecting and supporting artists, managing payments, and submitting reports. Thus, AAACC is effectively an intermediary of the DKI funding source (the City) and the recipients (Black creatives chosen by AAACC). Exhibit 9 summarizes this relationship.

Exhibit 9: The Arts Commission contracted with AAACC to perform new duties, including acting as a grantmaker, to bring Dream Keeper Initiative funds to the Black community



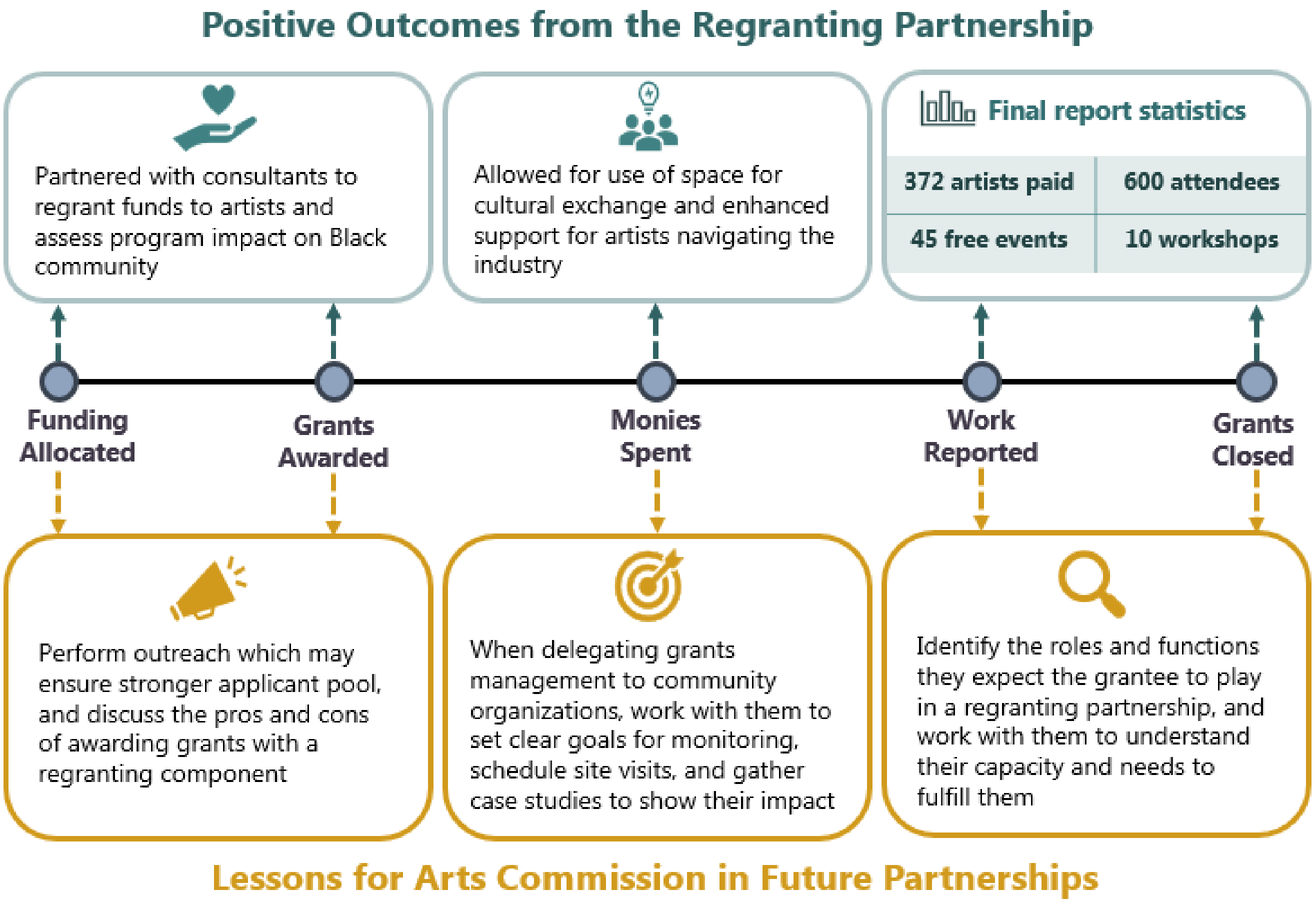
Source: CSA analysis of grant agreements and grant reports

Other funders, including those in the performing arts space, also award grants that have as a primary purpose to regrant funding.[10] Funders emphasize the importance of selecting regranting intermediaries with deep and diverse expertise, professional networks and resources accessible to grantees, and the capacity to produce annual reports and are transparent about their funds and results.[11, 12] Arts Commission introduced new monitoring requirements during the grant which may suggest that they did not adequately assess AAACC's capacity for monitoring the regranted funds and setting the appropriate requirements when drafting the original agreement.

The Arts Commission and AAACC's partnership on the DKI grants demonstrates positive outcomes but also lessons, reflecting the practical realities of regranting. According to AAACC's final reports, the DKI grants supported the development of community-focused programming, enabled regranting to artists, and enhanced support structures for artists. However, the experience exposed the need to improve setting expectations on monitoring, clarifying roles, and outreach, as summarized in Exhibit 10.

[10] The Center for Effective Philanthropy, The William and Hewlett Foundation 2021 Grantee Perception Report – Organization Wide, February 2022.
[11] Philanthropy Dilaogues, Understanding the Regranting Ecosystem in the Global South: Environment, Gender, Social Justice & Human Rights in Asia, Latin America and the Carribean, June 2024.
[12] Jennifer Henderson-Frakes, Strengthening the US Conservation Field: A Study of Intermediary Approaches in the William and Flora Hewlett Foundation's Western Conservation Grantmaking Strategy, September 2020.

Exhibit 10: Analyzing the outcomes and lessons of regranting can inform strategies for future grants



Source: CSA analysis of grant agreements, grant reports, and management interviews

Positive Progress

Arts Commission stated it did a lessons learned review of its regranting partnerships and amended its policy beginning in fiscal year 2025-26 to not enter into such agreements.

Arts Commission stated it conducts an evaluation meeting after every grant cycle and reviews lessons learned, creating new or adjusted policies and practices. Regarding regranting, the Arts Commission stated that beginning in fiscal year 2025-26, it implemented a new policy that removes regranting as an allowable activity after extensive evaluation from regranting partnerships.

RECOMMENDATION

12. The Arts Commission should ensure its grant awarding criteria include all necessary considerations including the applicant's capacity and capability to execute all required elements of the grant agreement.

Appendix A - Department Response

sfac

San Francisco Arts Commission

Daniel Lurie
Mayor

Matthew Goudeau
Executive Director of Arts & Culture

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City and County of San Francisco

July 15, 2026

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: San Francisco Arts Commission response to *Clearer Expectations and Communication Are Key to a Stronger Partnership With the African American Art and Culture Complex.*

Dear Mr. de la Rosa:

Thank you to the Office of the Controller for the thoughtful and comprehensive review of the San Francisco Arts Commission (SFAC) grantmaking practices related to awards made to the African American Art and Cultural Complex (AAACC) during FY23–24.

I joined SFAC just over a month ago as Executive Director of Arts and Culture, well after the period examined in this audit. As I begin leading the agency, I have taken time to review the report carefully and learn about the circumstances surrounding the audit.

I have listened closely to the staff who managed these grants and learned from their perspectives on the operational challenges they faced, the significant technical assistance they provided, the improvements they had already begun implementing, and the lessons they learned along the way. They described the complexity of administering these grants during a period of evolving policies, staffing transitions, and changing organizational circumstances, while remaining committed to supporting grantees and strengthening SFAC's grantmaking practices. Their insights have been invaluable in shaping both this response and our path forward.

I also appreciate the Office of the Controller's partnership throughout this process. We share a common goal of ensuring public resources are managed responsibly, transparently, and effectively while supporting San Francisco's artists, cultural organizations, and residents.

We view this audit as an opportunity to strengthen our grantmaking systems and improve the experience of our grantees. Many of the recommendations identified in the report have already been implemented or were underway before the audit concluded. Others align closely with improvements we are already pursuing as we modernize our grantmaking practices and integrate Grants for the Arts into SFAC.

The comments below are offered in that spirit. While we believe additional context is helpful in several areas, we appreciate the findings, recommendations, and opportunity to continue improving together.

Communication and Grant Administration

The audit identifies communication, reporting, and payment challenges during the audit period. From SFAC's perspective, these challenges occurred during a period of evolving grant requirements, new funding initiatives, staffing transitions within both organizations, and varying levels of organizational capacity. While the audit appropriately identifies opportunities for SFAC to strengthen its systems and processes, we believe this broader context is important to understanding the environment in which these grants were administered.

Throughout this period, I understand SFAC staff devoted significant time to working closely with AAACC through meetings, emails, phone calls, document reviews, and technical assistance to support grant administration and compliance. They worked to clarify reporting requirements, resolve questions, and help ensure required documentation could be completed. Their experience reinforced the need for clearer grant agreements, more consistent reporting requirements, standardized review practices, and stronger communication.

Staff also shared that communication, reporting, and coordination improved substantially following changes in AAACC's leadership. We appreciate the positive partnership that has developed and look forward to building on that progress.

Continuous Improvement

Many of the report's recommendations reflect improvements that SFAC had already begun implementing before the audit was completed. These include clearer grant agreements, standardized reporting requirements, improved financial reporting templates, enhanced review procedures, and policy refinements informed by lessons learned.

Looking ahead, SFAC will continue strengthening grant administration across the agency by standardizing grant agreements, reporting requirements, financial review procedures, staff training, and grant management practices. We are also convening a cross-functional implementation team to review the audit recommendations, identify additional improvements, and coordinate implementation across Community Investments, Contracts, Compliance, Finance, and the newly integrated Grants for the Arts team.

We also agree that strong organizational capacity is essential to successful grantmaking. SFAC looks forward to continuing our partnership with the Controller's Office and other City departments to connect grantees with available technical assistance and strengthen support for the nonprofit community.

Conclusion

The San Francisco Arts Commission sincerely appreciates the professionalism, partnership, and thoughtful recommendations provided by the Office of the Controller.

We value our partnership with the Office of the Controller and look forward to continued collaboration as we implement these recommendations, strengthen our systems, and better serve San Francisco's artists, cultural organizations, and residents.

Sincerely,

L. Matthew Goudeau
Executive Director of Arts and Culture
San Francisco Arts Commission

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled Agency Response whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
San Francisco Arts Commission should:		
1. Ensure current and future grant agreements clearly state the financial documents required both for primary grantees and subgrantees considering both the legal structure of the parties and the relationship between the parties.	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC will include in current FY27 and future FY grant agreements.	☒ Open ☐ Closed ☐ Contested
2. Distribute standardized templates for required financial reports to promote consistency and completeness in grantee submissions.	☒ Concur ☐ Do Not Concur ☐ Partially Concur In 2025, SFAC implemented a standard Expense Report Template for artists and organizations. This template will continue to be required for all report submissions.	☐ Open ☒ Closed ☐ Contested
3. Establish a policy defining what conditions will trigger the department to pause payments across all grants, and a progressive process for notifying grantees when they are in danger of triggering the late reporting policy.	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC included in FY26 grant agreements in Appendix A or G (depending on the grant template), includes the following: Failure to Report ▪ Grantees that fail to submit the required interim or final report/s documentation within six months of the end of the Grant Window will be placed on probation. SFAC will provide Grantees notice of any such failure. During the probationary	☐ Open ☒ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
	period, SFAC will not issue payments to Grantee, until all outstanding reports are complete and compliant, as determined by SFAC. ▪ Grantees that fail to submit the required interim or final report/s documentation within twelve months of the end of the Grant Window may be ineligible for future SFAC grants until all outstanding reports are complete and compliant, as determined by SFAC. SFAC will provide Grantees notice of any such failure. ▪ In addition to the above, if a Grantee fails to submit the required final report documentation, then SFAC may: o offset against all or any portion of undisbursed grant funds o withhold grant funds not yet disbursed ▪ In those cases when there are outstanding reports for a project for which an individual artist or organization and an associated fiscal sponsor organization may have received grant support, both artist and organization, as the case may be, and the fiscal sponsor organization will be held accountable for the failure to report. ▪ Grantees who have a pattern and practice of disregarding or repudiating terms or conditions of City contracts or grants, including without limitation repeated unexcused delays and poor performance, may be debarred from applying for City contracts and grants under Chapter 28 of the San Francisco Administrative Code. This policy will continue to be used in future grant agreements.	

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
4. Include a list of required supporting documentation and due dates in the grant agreement.	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC will include in FY27 and future FY grant templates; and not only in the separate reporting instructions document. This was included in the FY25 Artistic Legacy, Cultural Equity Initiative, and San Francisco Artist grants in Appendix B, but in error was not included in FY25 cultural center grant templates. This will continue to be required in future grant agreements.	☒ Open ☐ Closed ☐ Contested
5. Provide employees with training, guidance, and tools to improve consistency in grant report reviews across personnel.	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC will create training materials based on Citywide best practices and conduct internal training to improve consistency in grant report reviews across personnel.	☒ Open ☐ Closed ☐ Contested
6. Develop controls over its process for developing grant agreements to minimize errors including (a) clear provisions on indirect costs, (b) fiscal sponsorship fees, (c) no ineligible expenses, and (d) an appropriate level of detail to ensure accountability but allow minor changes to planned activities without an agreement amendment.	☒ Concur ☐ Do Not Concur ☐ Partially Concur a) In 2026 SFAC's Community Investments program implemented new standard Budget Template for Artists and Organizations that includes a line item that for the allowed administrative indirect amount, which is 15%, the template includes instructions: *You can allocate 15% of grant request amount to use as discretionary funds for unplanned costs that happen during the grant term.* b) The budget template includes a line item for fiscal sponsor fees. c) The budget template includes only eligible expenses and the “Other” line item includes instructions: *Other costs must be Eligible Expenses and approved by your Program Officer. Specify what the other costs are in the budget notes field.*	☐ Open ☒ Closed ☐ Contested

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

<table>
<tr><th>Recommendation</th><th>Agency Response</th><th>CSA Use Only
Status Determination*</th></tr>
<tr><td></td><td>d) In 2025 SFAC implemented a new budget revision policy based on City-wide policy and procedure and allows for internal approval of minor budget adjustments (25% of any line item) and significantly reduces the need to formally amend grants. There is a limit of two budget revisions allowed during the grant term.
Steps include:
1. Step 1 Request Budget Revision
▪ The process begins when grantee requests a budget revision.
▪ Requests must be submitted by e-mail.
2. Step 2 Budget Revision Review
▪ Program Officer will review budget revision request.
▪ If Program Officer has questions about the request they will set up a 15-minute meeting to clarify any questions.
▪ If Program Officer does not have any questions they will confirm via email that grantee may submit a budget revision.
3. Step 3 Budget Revision Form Completed
▪ Program Officer will send a link to the Budget Revision Form https://sfac.tfaforms.net/105
▪ Once completed the Program Officer will review and approve the budget revision.
▪ If Program Officer has questions about the completed budget revision form they will respond via email or set up a 15-minute meeting to clarify any questions.
4. Step 4 Budget Updated
▪ Once the budget revision form is completed and approved it will be filed with the grant agreement.
▪ Once the budget revision form is completed and approved it will be used to reconcile expense reports.</td><td></td></tr>
</table>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
7. Ensure the grants portal automatically populates existing grant information to streamline reporting for grantees and minimize errors.	☒ Concur ☐ Do Not Concur ☐ Partially Concur In 2026, SFAC is developing a new quarterly reporting form that will automatically populate reporting dates. As part of this effort, the Community Investments Program is also enhancing its grant portal to automate reporting information by pulling data directly from grant deliverables and approved budgets.	☒ Open ☐ Closed ☐ Contested
8. Implement controls over changes to grant plans including (a) a clear process for grantees to request changes, (b) maintaining documentation of changes and approvals, (c) updating the grant portal with any changes to ensure reporting and reviews include the most current information, and (d) keeping grantees informed of approved changes.	☒ Concur ☐ Do Not Concur ☐ Partially Concur Substantive changes to grant deliverables are not allowed. Minor changes to where a project may occur or dates of completion are allowed and these updates are captured in the interim and final report and coming for FY27 will be captured in the quarterly reports. As is noted in more detail above, in 2025 SFAC implemented a new budget revision policy based on City-wide policy and procedure and allows for internal approval of minor budget adjustments (25% of any line item) and significantly reduces the need to formally amend grants. There is a limit of two budget revisions allowed during the grant term.	☐ Open ☒ Closed ☐ Contested
9. Establish a process to keep grantees informed about the status of reviews of report submissions and fund disbursements.	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC's Community Investments program has an internal policy of replying to all email inquiries within 48 hours. We will continue to adhere to this policy and/or respond sooner to confirm if additional reporting documentation is needed prior to releasing grant funds.	☒ Open ☐ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
10. Enhance its budget template to include separate line items for consultants and in-house staff and their pay structures.	☒ Concur ☐ Do Not Concur ☐ Partially Concur In 2026 SFAC's Community Investments program implemented new standard Budget Template for Artists and Organizations.	☐ Open ☒ Closed ☐ Contested
11. Develop and explore approaches, guidance, and resources to assist grantees with staffing and board recruitment challenges and to promote grantees' organizational sustainability.	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC Community Investments program is currently researching and developing new annual training requirements for the Cultural Center Cohort as a part of their FY28 annual Management and Programming Plan (MPP). SFAC's Community Investments program as the funding team would not recommend assistance with staff recruitments, as this is generally not the role of a funding team and also there is concern that this could be an apparent conflict of interest. SFAC's Community Investments program agrees that staff retention training would be a vital service for our non-profit portfolio and would be grateful for support with resources to share with the grantees.	☒ Open ☐ Closed ☐ Contested
12. Ensure its grant awarding criteria include all necessary considerations including the applicant's capacity and capability to execute all required elements of the grant agreement	☒ Concur ☐ Do Not Concur ☐ Partially Concur SFAC's Community Investments program performs a rigorous application review and analysis to ensure compliance and ability to complete financial requirements and grant deliverables. Applications that do not meet the eligibility requirements are not included for review or scoring in the public peer review panels.	☒ Open ☐ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Appendix B - Grantee Response

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July 30, 2026

Mark de la Rosa
Director of Audits
Office of the Controller
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: AAACC Audit Response

Dear Mr. de la Rosa:

On behalf of the African American Art and Culture Complex, thank you to the Office of the Controller and the City Services Auditor team for the time, professionalism, and care invested in this audit. We appreciate the opportunity to review the findings and recommendations and to provide a response.

The audit reviews a period that largely predates my appointment as Executive Director. However, I do not view that distinction as a reason to distance myself from its findings. As AAACC's current Executive Director, it is my responsibility to understand the issues identified, build upon the progress already made, and ensure that we establish stronger systems moving forward.

We acknowledge that AAACC experienced gaps in management, governance, documentation, fiscal oversight, and grant reporting. These challenges created unnecessary risk for the organization and contributed to delays that affected our operations and cash flow. We also appreciate that the audit provides important context regarding unclear reporting requirements, inconsistencies in grant agreements, changes in enforcement, prolonged review periods, and the need for the San Francisco Arts Commission to more fully consider a grantee's capacity before assigning expanded responsibilities.

The report makes clear that the challenges identified were not one-sided. AAACC had areas in which it needed to improve, and the City's grant administration and communication processes also needed greater clarity and consistency. That is important because the strongest path forward is not to assign blame, but to ensure that both organizations learn from the experience and develop a more effective partnership.

Since assuming leadership of AAACC, I have made accountability, transparency, operational stability, and stronger organizational systems immediate priorities. Our work moving forward will include strengthening internal controls, improving financial and grant-reporting procedures, maintaining better documentation, clarifying staff and Board responsibilities, and ensuring that AAACC has the capacity and infrastructure necessary to successfully manage public funds and fulfill its commitments.

We are equally committed to strengthening our relationship with the San Francisco Arts Commission. AAACC and the Arts Commission share a responsibility to protect and advance one of San Francisco's most important cultural institutions. That partnership must be built upon

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clear expectations, timely communication, mutual accountability, and a shared commitment to serving the community.

My vision is for AAACC to be recognized not only for the quality of its art, culture, programming, and community impact, but also for strong governance, sound financial stewardship, effective operations, and public trust. Those standards are not separate from our mission. They are essential to our ability to fulfill it.

We appreciate the audit team's work and the constructive recommendations presented in the report. We look forward to working with the Office of the Controller, the San Francisco Arts Commission, our Board of Directors, staff, artists, and community partners to ensure that the lessons identified result in meaningful and lasting improvement.

AAACC views this audit not as the conclusion of a challenging chapter, but as the beginning of a stronger one. We embrace the opportunity to learn, improve, and lead with purpose, accountability, and excellence, ensuring that our governance, stewardship, and service are as inspiring as the art, culture, and community we exist to advance.

Respectfully,

Murrell D. Green, Ed.D.
Executive Director
African American Art and Culture Complex

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