



August 4, 2025

The Honorable Rochelle C. East
Presiding Judge, Superior Court of California, County of San Francisco
400 McAllister Street, Room 008
San Francisco, CA 94102-4512

Dear Judge East,

In accordance with Penal Code 933 and 933.05, the following is in response to the 2024-2025 Civil Grand Jury Report, *Capacity To Serve - Setting Social Services Nonprofits Up for Success*. We would like to thank the members of the 2024-2025 Civil Grand Jury for their interest in our City's social service infrastructure and ensuring accountable procurement.

We agree with the core elements of the Jury's findings, particularly regarding the scale of complexity for nonprofit organizations working through the City's granting process. The City strives to strike the balance of accountable and transparent contracting processes, without straining our nonprofit partners. As the City works to react to known and uncovered fraud or waste, it has inadvertently created administrative burden for both City and nonprofits' employees, which in turn increases overhead and wasted staff time. Our City will continue to optimize grant and contract procedures citywide to remove obstacles and streamline processes, and we are confident that this work will help us improve delivery of excellent services to the residents of San Francisco.

The City does, however, disagree with some of the Jury's recommendations on the best ways to address these issues. We believe we can better streamline and leverage our existing resources using technology and process realignment, rather than adding new staff. For example, creating a new capacity building team would be redundant, as many departments and the Controller's Office offer programmatic and financial capacity building. We can strengthen and coordinate that work. Further, the City's organizational monitoring managed by the Controller's Office works continuously and proactively to keep our partners on track. We commend the Jury's bold timelines to increase transparency and outcomes and will strive to work as quickly as possible given the resource and timing constraints of our systems.

The City takes these findings and recommendations very seriously and we have begun working to reenvision the grantmaking process.

We are including our detailed responses from the Mayor's Office, Office of the City Administrator, and the Controller's Office.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Lurie', with a stylized flourish at the end.

Daniel Lurie
Mayor

Katharine Petrucione for Carmen Chu

Carmen Chu
City Administrator, Office of the City Administrator

A handwritten signature in black ink, appearing to read 'Greg Wagner', with a long horizontal flourish extending to the right.

Greg Wagner
Controller

2024-25 CIVIL GRAND JURY FINDINGS, RECOMMENDATIONS, AND RESPONSES TO FINDINGS AND RECOMMENDATIONS

Report Title [Publication Date]	F#	Finding	Respondent Assigned by CGJ [Response Due Date]	Finding Response (Agree/ Disagree)	Finding Response Text
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F1	San Francisco's capacity building efforts are insufficient to create an ecosystem of well-managed nonprofits with the organizational capacity to use, in total, more than a billion dollars per year of social services funding effectively.	Mayor [August 4, 2025]	Agree	
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F2	The lengthy, uncertain, complex process to award and approve grants drives up costs to the city; undermines grantees' operations by requiring that they tolerate long funding delays; and makes it harder for program leads to adapt grants quickly to evolving social needs.	Mayor [August 4, 2025]	Agree	
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F3	City departments responsible for making grants, as well as those responsible for approvals, often do not have enough staff skilled in navigating the grantmaking process, and do not have appropriate software tools to assist them. This worsens grantmaking delays and uncertainties and distorts grantmaking practices.	Mayor [August 4, 2025]	Disagree partially	The City disagrees with the finding that City staff who work in grantmaking lack the skills to do this work. It is the highly complex process, not the people, that causes delays and uncertainty. However, in addition to reforming the process, the City recognizes that staff need more support and training and has made this an area of focus for FY25-26 and beyond. See response to Recommendation 3.1 for more details.

2024-25 CIVIL GRAND JURY FINDINGS, RECOMMENDATIONS, AND RESPONSES TO FINDINGS AND RECOMMENDATIONS

Report Title [Publication Date]	F#	Finding	Respondent Assigned by CGJ [Response Due Date]	Finding Response (Agree/ Disagree)	Finding Response Text
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F4	The city's monitoring and audit processes often take multiple years to correct even serious cases of nonprofit mismanagement, undermining public trust and government efficiency.	Mayor [August 4, 2025]	Disagree partially	The Controller's Office would reframe this point to state that monitoring supports contractors to maintain their alignment to City standards a majority of the time (70%) and helps departments identify which nonprofit contractors struggle to stay aligned to standards or the terms of the contract. In rare cases when a nonprofit has destabilized (whether due to external pressures or mismanagement), monitoring is an effective tool to help departments identify and escalate these contractors for corrective action. Depending on the scale of the issues, most contractors can resolve findings from monitoring within a year, but it can take multiple years for a contractor to fully resolve more serious findings.

2024-25 CIVIL GRAND JURY FINDINGS, RECOMMENDATIONS, AND RESPONSES TO FINDINGS AND RECOMMENDATIONS

Report Title [Publication Date]	R# [for F#]	Recommendation	Respondent Assigned by CGJ [Response Due Date]	Recommendation Response (Implementation)	Recommendation Response Text
Capacity to Serve [June 3, 2025]	R1.1 [for F1]	By December 31, 2025, the Mayor should request that the Controller prepare a report on the level of competitiveness in city social services grant procurements and the obstacles to increased competitiveness. The report should be published by June 30, 2026.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	As each department may administer procurements via department-specific systems, it would require a highly burdensome manual process to conduct this review without clear benefit. Grant procurements follow a competitive process as required by the Administrative Code Chapter 21G. Departments have limited discretion in how to carry these out.
Capacity to Serve [June 3, 2025]	R1.2 [for F1]	By March 31, 2026, the Mayor's Office should create a dedicated nonprofit capacity team, either within the City Administrator's office or another office designated by the Mayor, to proactively advance nonprofit capacity building.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	As the Mayor explores comprehensive reforms to remove obstacles and streamline grant and contract processes citywide, capacity building resources will be a factor. However, any changes to current capacity building functions (ex: Controller's Non-Profit Monitoring Division, the City Administrator's GovOps Team, or Office of Small Business) will leverage existing resources rather than build out a new team.
Capacity to Serve [June 3, 2025]	R1.3 [for F1]	By December 31, 2025, the Mayor's Office should designate a team (either the team from 1.2 or another appropriate team) to implement one or more orientation materials and/or training courses. These materials and/or courses should aim to assist newer and smaller nonprofits in developing the organizational management skills to effectively use city grant funds. The materials and/or courses should be developed by June 30, 2026.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The response to Recommendation 1.3 is a reflection to the prior response to Recommendation 1.2 as the resources described fall within the potential changes to existing capacity building functions.

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Report Title [Publication Date]	R# [for F#]	Recommendation	Respondent Assigned by CGJ [Response Due Date]	Recommendation Response (Implementation)	Recommendation Response Text
Capacity to Serve [June 3, 2025]	R1.4 [for F1]	The Mayor's Office should further require the team designated in 1.2 to provide proactive support (meaning, reaching out with assistance before mismanagement problems are identified) for nonprofits identified as high-risk, particularly social services nonprofits serving the city's most vulnerable residents.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The response to Recommendation 1.4 is a reflection to the prior response to Recommendation 1.2 as the support described falls within the potential changes to existing capacity building functions.
Capacity to Serve [June 3, 2025]	R2.1 [for F2]	By December 31, 2025, the mayor should request that the Controller prepare a report on the time taken to execute social services grant procurements, including RFP preparation as well as public solicitation, decision making, grant negotiation and approval. The report should be published by June 30, 2026.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	As the Mayor explores comprehensive reforms to remove obstacles and streamline grant and contract processes citywide, the timeline for social services grant procurements is valuable information. However, it is one element of the larger effort and creating a specific report on just one element would add administrative burden.
Capacity to Serve [June 3, 2025]	R2.2 [for F2]	By June 30, 2026, the City Administrator's office should prepare a guide to San Francisco's procurement process, as it applies to social services grants (and if appropriate, other grants and contracts), giving comprehensive explanations of how the process works that are suitable for both city employees and grantees. The guide should include data-driven estimates of the time each step in the process typically takes.	Mayor [August 4, 2025]	Has not yet been implemented but will be implemented in the future	The City Administrator's Office (through the work of the GovOps team) will develop this guide and make it publicly available for non-profits by June 30, 2026.

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Report Title [Publication Date]	R# [for F#]	Recommendation	Respondent Assigned by CGJ [Response Due Date]	Recommendation Response (Implementation)	Recommendation Response Text
Capacity to Serve [June 3, 2025]	R2.3 [for F2]	By March 31, 2026, the city should enact an ordinance specifying procurement policy improvements that apply generally to social services grantmaking. The package should address: •Streamlining processes for nonprofits to qualify to bid for social services grants. •Clarifying and reducing the number of reviewers required for social services grants and the time within which they must complete reviews. •Clarifying and generalizing sole sourcing authority for appropriate social services grant procurements and accountability for unbiased sole sourcing decisions. The improvements should be operative by July 1, 2026.	Mayor [August 4, 2025]	Has been implemented	The City Administrator's Office has offered legislation that goes beyond social service contracts and applies to all City contracts. With regard to sole sourcing authority, the City Attorney's Office has provided additional guidance to departments on use of sole source authority.
Capacity to Serve [June 3, 2025]	R2.4 [for F2]	By June 30, 2026, the City Administrator's office, in collaboration with the new nonprofit capacity team from Recommendation 1.2 (or other appropriate personnel) and major social services departments, should implement operational improvements that will enable 90% of social services grants (both by number of grants and dollar value) to go from public solicitation to final approval within 90 days.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	While the City appreciates the goal to speed up the contracting process, given the City's current policy framework these specifics are not achievable. The solicitation process for a complex social services grant (including steps for advertisement, evaluation, contract negotiation, and approvals / execution) cannot be completed in 90 days.

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Capacity to Serve [June 3, 2025]	R2.5 [for F2]	By June 30, 2026, the City Administrator's office should launch a publicly accessible portal website where applicants for, and awardees of, city social services grants (and if appropriate, other grants and contracts) can see the current status of their applications and awards.	Mayor [August 4, 2025]	Requires further analysis	The City and its granting departments strive to be transparent and accountable in their granting and contracting processes. Given that non-profit grants and contract processes currently live with individual departments, there is not currently a centralized database to uniformly track contract processes. We will explore the technical and timeline feasibility of centralization and, with that, a process accountability portal.
Capacity to Serve [June 3, 2025]	R3.1 [for F3]	By June 30, 2026, the City Administrator's Office should implement an internal education program for city employees whose job requires them to navigate city procurement processes that apply to social services grants (and if appropriate, other grants and contracts). The internal education program should provide clear guidance on the entire end to end procurement process and on the proper use of preapproved standards to expedite procurements. It should also clarify ethics obligations around making procurement decisions with integrity, including guidance on detecting and reporting biased decisions.	Mayor [August 4, 2025]	Has not yet been implemented but will be implemented in the future	The City Administrator concurs that City employee education and training is a core element of improving public procurement processes and outcomes. The GovOps team and Office of Contract Administration have provided a number of live and recorded trainings for citywide procurement staff, including on topics such as cooperative purchasing, solicitation design, technology purchasing, and more. The GovOps team is launching a Citywide Procurement Academy in FY 2025-26 that will provide a thorough training. This launch will be within the timeline set by the recommendation.
Capacity to Serve [June 3, 2025]	R3.2 [for F3]	By June 1, 2026, the Mayor's Office should present to the Board of Supervisors a budgeting and staffing plan for ensuring procurement efficiency as it applies to social services grants (and if appropriate, other grants and contracts). The plan should identify appropriate funding sources to scale reviewer staffing with demand and address known succession and retention issues for procurement staff.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	As the Mayor explores comprehensive reforms to remove obstacles and streamline grant and contract processes citywide, the next proposed 2-Year Balanced Budget introduced on June 1, 2026 will incorporate elements of that reform. However, the specifics of staffing plans, workforce retention, and succession are a department level matter.

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Capacity to Serve [June 3, 2025]	R3.3 [for F3]	By June 30, 2026, the City Administrator's office should make a plan in partnership with the Department of Technology for developing or procuring automation tooling to expedite the procurement process for social services grants (and if appropriate, other grants and contracts) citywide.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The Office of Contract Administration is currently in the process of soliciting for software to automate and streamline aspects of the solicitation and evaluation processes for OCA contracts. If this is successful, this software could be more broadly implemented across the City. In addition, the Department of Technology recently implemented Copilot Chat for all City staff, which provides new ways to make procurement processes more efficient.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.2 [for F4]	By June 30, 2026, the Controller's Office should adjust its policies on monitoring consequences to allow city departments to take "Tier 2" nonprofit status into account when deciding whether to award new grants or contracts to nonprofits that have been placed in that status tier.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The Controller's Office administers the Citywide Nonprofit Corrective Action Policy, and issued updates to it in December 2024 after a year-long process of review and multi-stakeholder consideration. The purpose of this policy is to coordinate departments and contractors primarily in cases where a City department intends to maintain a contractual relationship with the nonprofit contractor. In order to do this, the contractor must come into compliance with City policies and standards. A Tier 2 designation indicates the nonprofit is facing serious issues requiring correction, but the purpose of Tier 2 is not defunding; rather the goal is to create a structured process for the contractor to improve its operations in order to sustain services to the public. City departments also have other tools to support appropriate contracting outside of the corrective action policy: •Any City department can consider the financial and programmatic strengths and challenges of a nonprofit when making funding decisions. •Any City department may apply scores based on financial capacity in the solicitation process, and may also check references and weigh past financial and programmatic performance in solicitation scoring and awards. •Any City department can end a contract when needed, for cause or convenience.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.3 [for F4]	By June 30, 2026, the Controller's Office should produce a new risk scoring methodology that enables city departments to proactively assess when a nonprofit grant or contract is at high risk of costly mismanagement. The risk scoring should take into account factors such as: •The size of the grant or contract and thus potential cost of mismanagement. •The level of competitiveness found in the bidding process. •Aspects of the service provider and/or the contract that would make it unusually difficult to switch providers in the event of mismanagement, such as ownership of illiquid assets. •Risky gaps in the nonprofit's existing management skillset and structure. •Concerning recent changes to that skillset and structure, such as leadership departures.	Mayor [August 4, 2025]	Has been implemented	The Controller's Office administers two risk assessments either annually or biannually which already cover all feasible aspects of the recommendation. The CSA-Audits Division conducts a biannual risk assessment that helps highlight contractors that may be selected for a financial or performance audit performed by the CSA-Audits Division. The City Performance Division coordinates an annual risk assessment as part of the Fiscal Monitoring Program to determine which nonprofit contractors should be included in the annual fiscal monitoring pool and what type of monitoring the contractor should receive, including waivers. Both risk assessments inform Controller's Office activities (auditing and fiscal monitoring program management). The Controller's Office has also issued contract monitoring policy guidelines which state that each department may develop its own risk-based framework for determining when to apply programmatic monitoring standards for contracts below \$200,000 annually, and whether to allow good performance waivers. Otherwise, programmatic oversight practices apply uniformly per the published policy.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.4 [for F4]	By June 30, 2026, the Controller's Office should begin annually collecting risk scores from city departments for nonprofit grants and contracts they have issued. Nonprofits which score above a predefined threshold should be required to accept intervention from the new nonprofit capacity team from Recommendation 1.2, or another appropriate team designated by the Controller. This mentorship should, in the highest-value cases, include formal ongoing support provided by city employees to the management operations of affected nonprofits; it should not be limited to monthly meetings.	Mayor [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The Controller's Office sees great value in proactively offering capacity building support to nonprofit contractors to ensure they have strong, accountable and sustainable business practices. Current risk assessments support the Controller's Office to identify nonprofits to receive fiscal monitoring by funding departments. However, monitoring is the first step in fully understanding the strengths and challenges of a nonprofit contractor, including whether a nonprofit may require capacity building supports in order to come in line with City standards or contract terms. Nonprofits may be "high risk" due to funding levels and/or complexity of contracting, but the monitoring process can demonstrate that they are able to manage these risks and perform according to City standards. For example, the Fiscal Monitoring Program risk assessment identifies that approximately 200 nonprofits should be monitored annually, and more than 70% end the monitoring with no findings. Thus, a risk assessment is best paired with regular monitoring in order to most effectively highlight where capacity building resources should be deployed. The Controller's Office and other departments offer capacity building resources when monitoring highlights needs. The capacity building services funded by the Controller's Office include hands-on, direct coaching by experts in nonprofit financial management. These experts provide templates and tools and work with the nonprofit to adapt and adopt them into ongoing practice that meets City standards. The engagement is calibrated according to the needs of the nonprofit, and may include weekly, biweekly, monthly, quarterly or some other cadence of meetings tied to the work plan.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F2	The lengthy, uncertain, complex process to award and approve grants drives up costs to the city; undermines grantees' operations by requiring that they tolerate long funding delays; and makes it harder for program leads to adapt grants quickly to evolving social needs.	Office of the City Administrator [August 4, 2025]	Agree	
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F3	City departments responsible for making grants, as well as those responsible for approvals, often do not have enough staff skilled in navigating the grantmaking process, and do not have appropriate software tools to assist them. This worsens grantmaking delays and uncertainties and distorts grantmaking practices.	Office of the City Administrator [August 4, 2025]	Disagree partially	The City disagrees with the finding that City staff who work in grantmaking lack the skills to do this work. It is the highly complex process, not the people, that causes delays and uncertainty. However, in addition to reforming the process, the City recognizes that staff need more support and training and has made this an area of focus for FY25-26 and beyond. See response to Recommendation 3.1 for more details.

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Capacity to Serve [June 3, 2025]	R2.2 [for F2]	By June 30, 2026, the City Administrator's office should prepare a guide to San Francisco's procurement process, as it applies to social services grants (and if appropriate, other grants and contracts), giving comprehensive explanations of how the process works that are suitable for both city employees and grantees. The guide should include data-driven estimates of the time each step in the process typically takes.	Office of the City Administrator [August 4, 2025]	Has not yet been implemented but will be implemented in the future	The City Administrator's Office (through the work of the GovOps team) will develop this guide and make it publicly available for non-profits by June 30, 2026.
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R2.3 [for F2]	By March 31, 2026, the city should enact an ordinance specifying procurement policy improvements that apply generally to social services grantmaking. The package should address: •Streamlining processes for nonprofits to qualify to bid for social services grants. •Clarifying and reducing the number of reviewers required for social services grants and the time within which they must complete reviews. •Clarifying and generalizing sole sourcing authority for appropriate social services grant procurements and accountability for unbiased sole sourcing decisions. The improvements should be operative by July 1, 2026.	Office of the City Administrator [August 4, 2025]	Has been implemented	The City Administrator's Office has offered legislation that goes beyond social service contracts and applies to all City contracts. With regard to sole sourcing authority, the City Attorney's Office has provided additional guidance to departments on use of sole source authority.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R2.5 [for F2]	By June 30, 2026, the City Administrator's office should launch a publicly accessible portal website where applicants for, and awardees of, city social services grants (and if appropriate, other grants and contracts) can see the current status of their applications and awards.	Office of the City Administrator [August 4, 2025]	Requires further analysis	The City and its granting departments strive to be transparent and accountable in their granting and contracting processes. Given that non-profit grants and contract processes currently live with individual departments, there is not currently a centralized database to uniformly track contract processes. We will explore the technical and timeline feasibility of centralization and, with that, a process accountability portal.
Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R3.1 [for F3]	By June 30, 2026, the City Administrator's Office should implement an internal education program for city employees whose job requires them to navigate city procurement processes that apply to social services grants (and if appropriate, other grants and contracts). The internal education program should provide clear guidance on the entire end to end procurement process and on the proper use of preapproved standards to expedite procurements. It should also clarify ethics obligations around making procurement decisions with integrity, including guidance on detecting and reporting biased decisions.	Office of the City Administrator [August 4, 2025]	Has not yet been implemented but will be implemented in the future	The City Administrator concurs that City employee education and training is a core element of improving public procurement processes and outcomes. The GovOps team and Office of Contract Administration have provided a number of live and recorded trainings for citywide procurement staff, including on topics such as cooperative purchasing, solicitation design, technology purchasing, and more. The GovOps team is launching a Citywide Procurement Academy in FY 2025-26 that will provide a thorough training. This launch will be within the timeline set by the recommendation.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	F4	The city's monitoring and audit processes often take multiple years to correct even serious cases of nonprofit mismanagement, undermining public trust and government efficiency.	Office of the Controller [August 4, 2025]	Disagree partially	The Controller's Office would reframe this point to state that monitoring supports contractors to maintain their alignment to City standards a majority of the time (70%) and helps departments identify which nonprofit contractors struggle to stay aligned to standards or the terms of the contract. In rare cases when a nonprofit has destabilized (whether due to external pressures or mismanagement), monitoring is an effective tool to help departments identify and escalate these contractors for corrective action. Depending on the scale of the issues, most contractors can resolve findings from monitoring within a year, but it can take multiple years for a contractor to fully resolve more serious findings.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.1 [for F4]	By December 31, 2025, the Board of Supervisors should direct the Budget and Legislative Analyst to prepare a report on the time elapsed from when the Nonprofit Monitoring Program identifies management problems to when the problems are corrected. The report should be published by June 30, 2026.	Office of the Controller [August 4, 2025]		The Controller's Office does not have the authority to instruct the Board of Supervisors or Budget and Legislative Analyst to prepare reports. This data is already available as it relates to fiscal monitoring. In a vast majority of cases, both financial and programmatic issues can be resolved quickly as a result of monitoring activities, and fiscal monitoring annual report data shows the results each year. City departments regularly notify nonprofits of “findings” resulting from the monitoring and offer feedback (“corrective actions”) about how to address the issues: In FY24 fiscal monitoring, 94 of 199 nonprofits (47%) had an “initial” finding, and received 30 days to respond. Of these, 33 (35%) performed all necessary corrections within 30 days and ended the monitoring cycle in full conformance. Another 34 (36%) resolved some but not all findings during the 30-day window. The remaining 27 (29%) did not resolve findings by the close of the cycle. While these unresolved findings present challenges that must be addressed, the scale of “persistent” issues unresolved year over year is relatively low.

2024-25 CIVIL GRAND JURY FINDINGS, RECOMMENDATIONS, AND RESPONSES TO FINDINGS AND RECOMMENDATIONS

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.2 [for F4]	By June 30, 2026, the Controller's Office should adjust its policies on monitoring consequences to allow city departments to take "Tier 2" nonprofit status into account when deciding whether to award new grants or contracts to nonprofits that have been placed in that status tier.	Office of the Controller [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The Controller's Office administers the Citywide Nonprofit Corrective Action Policy, and issued updates to it in December 2024 after a year-long process of review and multi-stakeholder consideration. The purpose of this policy is to coordinate departments and contractors primarily in cases where a City department intends to maintain a contractual relationship with the nonprofit contractor. In order to do this, the contractor must come into compliance with City policies and standards. A Tier 2 designation indicates the nonprofit is facing serious issues requiring correction, but the purpose of Tier 2 is not defunding; rather the goal is to create a structured process for the contractor to improve its operations in order to sustain services to the public. City departments also have other tools to support appropriate contracting outside of the corrective action policy: •Any City department can consider the financial and programmatic strengths and challenges of a nonprofit when making funding decisions. •Any City department may apply scores based on financial capacity in the solicitation process, and may also check references and weigh past financial and programmatic performance in solicitation scoring and awards. •Any City department can end a contract when needed, for cause or convenience.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.3 [for F4]	By June 30, 2026, the Controller's Office should produce a new risk scoring methodology that enables city departments to proactively assess when a nonprofit grant or contract is at high risk of costly mismanagement. The risk scoring should take into account factors such as: • The size of the grant or contract and thus potential cost of mismanagement. • The level of competitiveness found in the bidding process. • Aspects of the service provider and/or the contract that would make it unusually difficult to switch providers in the event of mismanagement, such as ownership of illiquid assets. • Risky gaps in the nonprofit's existing management skillset and structure. • Concerning recent changes to that skillset and structure, such as leadership departures.	Office of the Controller [August 4, 2025]	Has been implemented	The Controller's Office administers two risk assessments either annually or biannually which already cover all feasible aspects of the recommendation. The CSA-Audits Division conducts a biannual risk assessment that helps highlight contractors that may be selected for a financial or performance audit performed by the CSA-Audits Division. The City Performance Division coordinates an annual risk assessment as part of the Fiscal Monitoring Program to determine which nonprofit contractors should be included in the annual fiscal monitoring pool and what type of monitoring the contractor should receive, including waivers. Both risk assessments inform Controller's Office activities (auditing and fiscal monitoring program management). The Controller's Office has also issued contract monitoring policy guidelines which state that each department may develop its own risk-based framework for determining when to apply programmatic monitoring standards for contracts below \$200,000 annually, and whether to allow good performance waivers. Otherwise, programmatic oversight practices apply uniformly per the published policy.

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Capacity To Serve: Setting Social Services Nonprofits Up for Success [June 3, 2025]	R4.4 [for F4]	By June 30, 2026, the Controller's Office should begin annually collecting risk scores from city departments for nonprofit grants and contracts they have issued. Nonprofits which score above a predefined threshold should be required to accept intervention from the new nonprofit capacity team from Recommendation 1.2, or another appropriate team designated by the Controller. This mentorship should, in the highest-value cases, include formal ongoing support provided by city employees to the management operations of affected nonprofits; it should not be limited to monthly meetings.	Office of the Controller [August 4, 2025]	Will not be implemented because it is not warranted or is not reasonable	The Controller's Office sees great value in proactively offering capacity building support to nonprofit contractors to ensure they have strong, accountable and sustainable business practices. Current risk assessments support the Controller's Office to identify nonprofits to receive fiscal monitoring by funding departments. However, monitoring is the first step in fully understanding the strengths and challenges of a nonprofit contractor, including whether a nonprofit may require capacity building supports in order to come in line with City standards or contract terms. Nonprofits may be "high risk" due to funding levels and/or complexity of contracting, but the monitoring process can demonstrate that they are able to manage these risks and perform according to City standards. For example, the Fiscal Monitoring Program risk assessment identifies that approximately 200 nonprofits should be monitored annually, and more than 70% end the monitoring with no findings. Thus, a risk assessment is best paired with regular monitoring in order to most effectively highlight where capacity building resources should be deployed. The Controller's Office and other departments offer capacity building resources when monitoring highlights needs. The capacity building services funded by the Controller's Office include hands-on, direct coaching by experts in nonprofit financial management. These experts provide templates and tools and work with the nonprofit to adapt and adopt them into ongoing practice that meets City standards. The engagement is calibrated according to the needs of the nonprofit, and may include weekly, biweekly, monthly, quarterly or some other cadence of meetings tied to the work plan.