City & County of San Francisco

Fiscal Monitoring Program Policies and Guidelines

OFFICE OF THE CONTROLLER

CITY PERFORMANCE

October 2025

About the Controller's Office

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

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

About the City Performance Division

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

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

For more information, please contact:

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Controller's Office LinkedIn

Overview

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

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

In 2019, the Controller's Office updated the Fiscal Monitoring Program's risk assessment framework to require monitoring for nonprofits receiving threshold funding from a single department participating in the program.

In 2024, the Controller's Office updated the Fiscal Monitoring Program Guidelines to clarify that all City departments with nonprofit contracts must perform fiscal monitoring according to the standards and protocols of these guidelines, including applying a risk assessment such as the one included in these guidelines to determine which nonprofits must be monitored. Departments that contract with nonprofits that are also funded by other City departments should engage with the Controller's Office to determine whether and how to coordinate fiscal monitoring activities via the Fiscal Monitoring Program. City departments should coordinate, consolidate and streamline fiscal monitoring of shared nonprofit suppliers to the greatest degree possible.

FY25-26 Guideline Updates

As of Fiscal Year 2025-2026 (FY25-26), these updated guidelines clarify the following expectations for all City departments that contract with nonprofit suppliers, whether the department participates in the Fiscal Monitoring Program or conducts fiscal monitoring independently.

Risk Assessment Updates:

The "Risk Assessment" parameters included in these guidelines (see Appendix) provides a framework to follow in determining which nonprofit contractors to monitor.

- New Risk Assessment guidelines establish a threshold for monitoring at $500,000 in total anticipated annual spending for nonprofits funded by a single department ("singly funded").
- However, departments should consider issues of nonprofit financial performance and other risk factors included in the Risk Assessment policy and may elect to perform fiscal monitoring of singly funded nonprofit suppliers receiving less than the $500,000 threshold.

- When a nonprofit receives funding from two or more departments ("jointly funded"), the monitoring threshold lowers to a floor of $200,000, when total anticipated department funding for a supplier in the year is at least $100,000 from each funding department.

Invoice Documentation Review:

During FY25-26, the Controller's Office and City departments will be updating payment processing guidelines for nonprofit contract invoices to align to City accounting policies. The Standard Monitoring Form used in fiscal monitoring has historically included several standards and protocols for using the monitoring process to review invoice documentation, such as receipts, payroll registers, etc. While departments are in different stages of rolling out invoice payment processing procedures during FY25-26, the Standard Monitoring Form continues to include these invoice documentation review standards with the caveat that they should only be applied in cases when a funder of a given nonprofit has not already gathered and reviewed invoice documentation during payment processing according to that department's policies. Once all departments have implemented new payment processing policies, i.e., by FY26-27, the Controller's Office anticipates removing standards related to invoice documentation review from the Standard Monitoring Form. There are additional standards related to a joint review of invoices that will remain as part of monitoring, including as a means for testing allocation of costs shared across department contracts.

Standard Monitoring Form Updates:

Beginning in FY25-26, the Fiscal Monitoring Program adopted a single Citywide Standard Monitoring Form that emphasizes key financial indicators and streamlines the monitoring process. Previously, departments used two forms: a Core form for moderate-risk nonprofits and an Expanded form for higher-risk or federally funded nonprofits. The single Standard Monitoring Form retains key financial standards from the Core and Expanded forms while removing certain compliance standards not directly tied to fiscal indicators and which are more commonly reviewed during contract and program monitoring.

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Fiscal Monitoring Program Overview

Program Goals

The Fiscal Monitoring Program aims to ensure that:

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

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

- The Fiscal Monitoring Program ensures that fiscal monitoring of nonprofit contractors is:
    - Consistent across City departments
    - Efficient and reduces duplication across City departments and nonprofit contractors
    - High quality
    - Aligned with best practices in financial management

Program Participants and Steering Committee

Fifteen City departments that fund nonprofit contractors to deliver health and human services and other community programming currently participate in the Fiscal Monitoring Program. Nonprofit contractors funded to provide services by these departments should experience one standard fiscal monitoring activity per year, as determined through the Risk Assessment process. See the Risk Assessment section below for more on how the Program forms the monitoring pool.

- Adult Probation Department (ADP)
- Arts Commission (ART)
- City Administrator (ADM)
- Department of Early Childhood (DEC)
- Department of Children, Youth and Their Families (DCYF)
- Department of Homelessness and Supportive Housing (HSH)
- Department of Public Health (DPH)
- Human Rights Commission (HRC)
- Human Services Agency (HSA)
- Mayor's Office of Housing and Community Development (MOHCD)
- Office of Economic and Workforce Development (OEWD)
- San Francisco Department of Technology (DT)
- San Francisco Public Works (DPW)
- San Francisco Juvenile Probation Department (JPD)
- Sheriff (SHF)

The Controller's Office regularly assesses trends in nonprofit contracting across departments and may periodically add new departments to the list of participants if a department's portfolio of nonprofit suppliers significantly overlaps with other participating departments. **Departments that do not participate in the**

Fiscal Monitoring Program directly must still perform independent fiscal monitoring of nonprofit contractors and use the risk assessment framework to determine when monitoring is needed.

Steering Committee

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

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

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

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

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

Controller's Office Role

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

Lead Monitor and Monitoring Team

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

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

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

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

- Coordinates the logistics around the annual monitoring.
- Facilitates a joint review of all monitoring documents and standards, and, often, conducting a significant portion of the review itself.
- Sends all communications to the contractor and City colleagues involved in monitoring.
- Uploads all required documentation to Salesforce.

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

All monitoring team members are expected to have capability and/or ability to gain the knowledge required to successfully complete their monitoring assignments on time.

Fiscal Monitoring Program Standards and Tools

Risk Assessment

Risk Assessment is the process by which the Controller's Office and departments determine which nonprofits to include in annual fiscal monitoring (i.e., "in the monitoring pool").

The Controller's Office initiates Risk Assessment in the first quarter of each fiscal year with departments participating in the Fiscal Monitoring Program. The Controller's Office collects contract information for that fiscal year from all participating departments and compiles this and other data into a structured list to allow departments to perform a collaborative assessment and documentation of risk factors. The Controller's Office uses funding thresholds to establish the list and a scoring methodology to determine whether a contractor will be monitored based on documented performance criteria, such as such as previous monitoring findings, executive turnover, total funding received, etc.

The Risk Assessment process results in an "Annual Monitoring Pool" that documents all contractors to be monitored, as well as the lead and participating departments for each monitoring. There are only two possible outcomes for Risk Assessments: an agency is either monitored or granted a good performance waiver.

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

Standard Monitoring Form and Letters

The Controller's Office and the Steering Committee manage and agree to a Citywide Standard Monitoring Form that is required for all monitoring activities. This form establishes a clear and measurable set of

standards for strong financial management and administrative practices that nonprofit contractors should adhere to.

As of FY25-26, the Fiscal Monitoring Program uses a single Citywide Standard Monitoring Form. In prior years, the Program used two forms: a Core form and an Expanded form. The Core form included a subset of the Expanded standards and applied to nonprofits assessed as moderate risk. Departments assign Expanded monitoring to nonprofits assessed as higher risk or those with federal funding. The new single form emphasizes key financial indicators to evaluate a nonprofit's financial health and streamlines the process. The single Standard Monitoring Form ensures all monitored nonprofits receive a consistent set of fiscal requirements and required documentation. The revised Standard Monitoring Form maintains the goal of non-duplicative efforts by removing many compliance standards that may be assessed in contract and program monitoring and/or via other City oversight practices.

At the start of the monitoring process, the department sends a Monitoring Initiation Letter to notify the nonprofit that it has been selected for fiscal monitoring. This letter identifies the funding departments participating in the monitoring and provides an overview of the process and required next steps. Nonprofit contractors submit documents and information to demonstrate whether and how they meet each standard on the Standard Monitoring From. When a nonprofit contractor cannot submit relevant documents or does not meet a standard on this form, this is considered a "finding." The lead monitor, in consultation with the monitoring team, documents any finding(s) in a letter to the contractor and provides information about how to correct the issue (e.g., submit additional documents and/or correct existing documents, etc.). Departments must allow the nonprofit time to address the findings according to the procedures outlined in the document. If the nonprofit does not adequately address the finding within the allotted time, the department will confirm the finding via a "Final Status" letter and reiterate any necessary corrective actions the nonprofit should take to address the concern. If the nonprofit provides materials that address the initial finding and resolve the issues, the Final Status letter also documents this result.

Salesforce System and Shared Documentation

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

Nonduplication Principles

Nonprofit contractors should only experience one Citywide fiscal monitoring review per fiscal year. Typically, this review should occur between the months of November and June. Departments participating in the monitoring of a contractor agree to accept these monitoring results and not undertake similar fiscal monitoring on their own.

There should be no duplication of the elements reviewed between fiscal monitoring and program monitoring. Departments should not conduct separate fiscal monitoring in addition to the monitoring that

occurs using the Standard Monitoring Form. If a department has any compliance elements that are unique or program-specific, these should be reviewed under separate departmental program monitoring procedures.

Citywide Nonprofit Corrective Action Policy

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

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

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

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

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

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

Additional Resources

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

The lead monitor and the monitoring team are a key resource in helping to identify nonprofit contractors in need of capacity building support, including training or individualized coaching services. The Controller's Office contracts with qualified consultants skilled in areas of nonprofit financial management, board development and governance, strategic planning, and other areas where nonprofit contractors may struggle

to comply with City standards. When the monitoring team identifies a nonprofit contractor that could benefit from coaching services, the lead monitor should submit a Coaching Referral Form to the Controller's Office, which will then direct a consultant to assess the needs, create an action plan, and provide free assistance to the nonprofit.

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

Monitoring Process

Departments most commonly conduct fiscal monitoring virtually, but have the discretion to conduct in-person or hybrid fiscal monitorings. A virtual monitoring means the contractor sends requested documents to the lead monitor by a due date ("monitoring date"), the monitoring team reviews documents and consults on issues, and the lead monitor issues a Monitoring Report Letter without visiting the Contractor's physical site. However, departments may choose to conduct monitoring via a site visit, particularly when a funding source may require this, if this is the first year a department is funding a nonprofit, or for other reasons. When the monitoring team determines a monitoring should be performed as a site visit, the lead monitor may still collect documents in advance by email, but the monitoring team may also review certain documents at the site. The lead monitor should clearly communicate whether the monitoring will be virtual, hybrid, or on-site via the initiation letter.
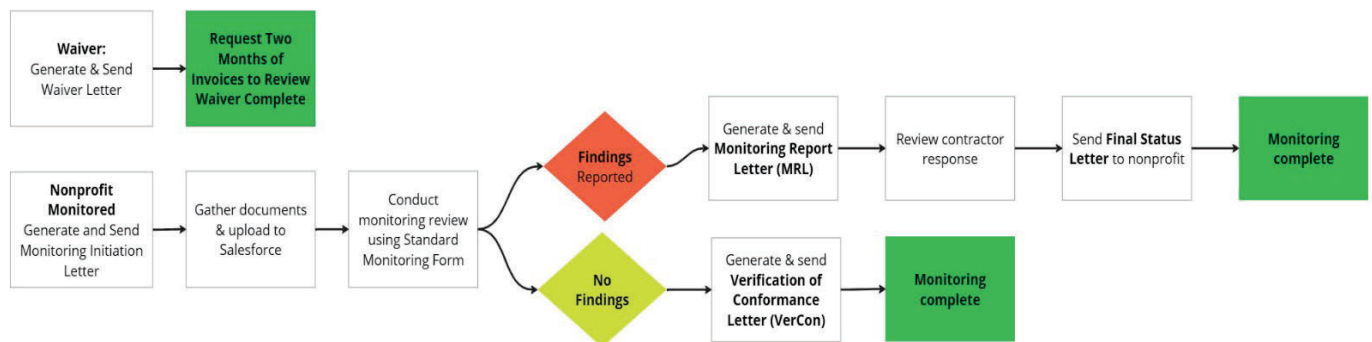
During the initial monitoring, monitors use the Standard Monitoring Form to determine whether the contractor has **No Findings** or **Findings to Report**.

- **No Findings:** This means that the contractor was in conformance with all standards. At this point in the process, the lead monitor sends a "Verification of Conformance" letter to indicate this result. This ends the annual monitoring for that contractor.
- **Findings to Report:** This means that there were one or more standards that the contractor did not meet upon initial review. The lead monitor sends a "Monitoring Report Letter" to document any findings and provides the contractor with an opportunity to respond and correct any findings before monitoring is complete. After the contractor responds, the lead monitor and monitoring team assess whether the contractor addressed the findings and the lead monitor issues the "Final Status Letter" with the final status of each finding based on the contractor's response. Each finding can be categorized as:

o **Finding In Conformance:** The Contractor submits documentation showing the finding has been fully resolved.
o **Finding Not Yet In Conformance:** The Contractor submits a plan to resolve the finding (e.g., before the next monitoring), but does not correct the issue before the monitoring cycle ends, or the Contractor does not respond to the request for corrective action.

At the close of the monitoring cycle, the lead monitor ensures all documentation supporting the monitoring results are uploaded to Salesforce. Lead monitors must include the following documents as listed in the table, but should not include any sensitive information (e.g., payroll registers).

Please be sure the following documents are uploaded to Salesforce:

- Audited financial statements
- Balance Sheet
- Profit & Loss Statement
- Agency-Wide Budget

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

Monitoring Dates and Timelines

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

Date	Activity
August - November	Conduct Risk Assessment
By November 15	Confirm Annual Monitoring Pool
By February 15	Between November 15 and February 15, Generate and send monitoring initiation letters to nonprofits (including Welcome Letter and Waivers)
By April 30	- Monitors receive and review requested documents with monitoring team (specific due dates vary based on when monitor sends initiation letter); **Send overdue responses as needed** - Monitors conduct any necessary exit conferences; generate and send all Monitoring Report Letters and Verification of Conformance Letters
By May 30	<u>If there are findings</u>: receive nonprofits' responses to Monitoring Report Letters within 30 days of issuing Monitoring Report Letter <u>No findings</u> or <u>Waiver</u>: finish uploading remaining documents into Salesforce
By June 30	<u>If there are findings,</u> Monitors have 30 days to complete their review of nonprofits' responses and send Final Status Letter to nonprofits; finish uploading remaining documents into Salesforce

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

- Monitors should provide at least **four weeks** from sending the initiation letter for nonprofits to provide required documents, though they can provide greater notice if desired. Monitors should establish a due date for the monitoring and send the monitoring initiation letter at least four weeks prior to that due date.
- Upon receipt of monitoring documents, departments should conduct the review and identify any findings within **six weeks** of receipt of monitoring documents.
- When a nonprofit has findings, the monitoring team should hold an exit conference to review the findings with the nonprofit and explain any necessary corrective actions. The monitoring team should schedule the exit conference prior to sending the Monitoring Report Letter.
- Departments must complete all monitoring, host any needed exit conferences, and issue all Monitoring Report Letters or Verification of Conformance letters no later than **April 30** to ensure there is sufficient time to carry out final status steps before the close of the fiscal year.
- If the monitoring results in findings, the Monitoring Report Letter provides nonprofits **30 days** to provide a response or correct the issue.
- In these cases, monitors should review the response with the monitoring team quickly and should send a Final Status Letter within **30 days** to conclude the process.
- To achieve the goal of ending the monitoring cycle by **June 30**, monitors should send initiation letters by or before February 15. Waiting to send initiation letters may result in the monitor needing to shorten their own review windows in order to end the cycle timely. Monitors may begin sending initiation letters and conducting monitoring as soon as the Monitoring Pool has been confirmed in November.

Monitoring Team Roles and Responsibilities

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

Lead Monitor	Monitoring Team Member
- Schedule monitoring and send monitoring initiation letter (copy all monitoring team members) - Lead outreach and communication with the nonprofit, including sending out monitoring letters and follow up (copy all monitoring team members) - Coordinate with monitoring team before monitoring to review any concerns or areas for additional review; can schedule pre-monitoring call if needed	- Engage in pre-monitoring coordination to share context, flag potential issues, or identify specific departmental monitoring needs - For each nonprofit involved, complete monitoring of assigned standards (as coordinated by lead monitor) - Coordinate with other team members on any issues or findings related to invoice documentation or invoice-related standards - Provide input on monitoring correspondence and final findings

Lead Monitor	Monitoring Team Member
- Propose distribution of monitoring standards to review across monitoring team; this can be an opportunity to leverage monitoring team members' expertise in particular topics - Upload required nonprofit documents and monitoring correspondence into Salesforce If there are findings in the monitoring, schedule Teams call for monitoring team to meet and review findings before sending out the Monitoring Report Letter; schedule and host exit conference with nonprofit prior to sending out the Monitoring Report Letter	

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

When	Lead Monitor Activity	Comments
November - January	Prepare for monitoring by reviewing contract budget documents, the prior year Monitoring Report Letter and related documents for the contractor. In Salesforce, look up the Annual Monitoring Detail (AMD) and look under **Report Findings** >> **Contracts Monitored & Monitoring Team** to identifythe contracts to be reviewed and the departments on the monitoring team. Consult with the Monitoring Team to identify any fiscal or compliance concerns.	Gather: - Last year's Monitoring Report Letter - Board of Director's roster, articles andbylaws - Audited financial statements: look for these publicly posted on the nonprofit's website per the CPA Audit Policy Monitoring Team members may already have some of these documents, as well as information about invoicing that will be considered during the monitoring, so consult with Monitoring Team first. If they have these documents, request that they upload these documents into Salesforce; can then seek them from the Contractor, as needed.

When	Lead Monitor Activity	Comments
By February 15	Use Salesforce to generate a Monitoring Initiation Letter to inform the contractor about the monitoring. In Salesforce, document the "date of monitoring" as the due date by which all requested documents must besubmitted by the contractor. Send Initiation Letter to the contractor (and copy all monitoring team members), enclosing the Standard Monitoring Form. Upload the signed PDF version of the monitoring initiation letter to the **Notes and Attachments** section of the contractor's AMD page in Salesforce.	All Initiation Letters must be sent to contractors by or before <u>February 15</u>, to establish a due date for responses no later than March 30, leaving sufficient time to complete all stages of monitoring by June 30. The due date for the Contractors to submit requested materials must be (at least) 4 weeks from when the initiation letter is sent to give contractors adequate time to respond. However, lead monitors can provide more than 4 weeks if needed and monitoring deadlines allow. Consider staging the due dates of materials over several months, as lead monitors have 6 weeks to follow up after documents are submitted. Be sure to follow up with the contractor by phone or email to confirm their receipt of the letter and answer any questions.
One week before monitoring documents are due	Prior to the anticipated receipt of documents from the contractor, coordinate with the monitoring team (via meeting/Teams call or email exchange) to plan the monitoring. Before the meeting, review contract budgets and the prior year monitoring letters, and be prepared to lead the discussion about potential concerns. Consider sending a friendly one-week reminder to the contractor about the monitoring document due date.	Consider holding this email exchange or conversation about a week before documents are due, so that team members are prepared for their roles. Discussion should address: • Fiscal and compliance concerns • Invoice review, including months of invoices departments will compare against cost allocation plan • Subcontractor information • Consider assigning each team member a specific role and what documents or standards to review • Leverage strengths of the team, e.g., does someone have a strong finance background?

When	Lead Monitor Activity	Comments
When monitoring documents are due	Review the contractor's submission to determine whether the contractor included all required documents. If any items are missing (or if the submission is late), contact the contractor in writing within **five business days of the original due date**, copying the monitoring team, and upload the written notice to the Notes and Attachments section of the Contractor's AMD page in Salesforce. Upload documents to the Document Upload section of the contractor's AMD page in Salesforce.	The Initiation Letter generated through Salesforce will include a checklist of required documents to be submitted by the Contractor. See the template "Overdue Response to Monitoring" letter in the Details Page in Salesforce. Non-responsiveness may be cause for escalation and/or designation as part of the Citywide Corrective Action Policy. Contact your Steering Committee representative to consult about nonresponsive contractors.
Within 3 weeks of document submission	Ensure Monitoring Team members can access documents and are clear on review tasks and timelines. Review the Standard Monitoring Form and submitted documentation. Gather input from monitoring team members (e.g., through a team meeting, and/or through email) and enter findings into Salesforce to generate a draft Monitoring Report Letter, revising or adding to the standard template as needed. Direct the monitoring team to the Monitoring Report Letter on Salesforce to request feedback. Provide a timeframe for comments or use a team meeting to gather comments and changes. If there are findings to be reviewed or questions about the documentation provided, the lead monitor must host an "exit conference" meeting between the contractor and the monitoring team prior to sending the Monitoring Report Letter.	Consult the Monitoring Team regarding any questions or to delegate areas of review. Discuss (by phone or email, as necessary) the findings and proposed corrective action. Exit Conference Activities: • Report what was monitored, summarize any findings (can be preliminary), and explain next steps. • If a standard allows for a "reasonable explanation" to meet the standard, use the exit conference to ask questions and explore any explanation provided.

When	Lead Monitor Activity	Comments
Within 6 weeks of document submission **(no later than April 30)**	Update Salesforce with any changes, as needed, and generate a final Monitoring Report Letter with the letter date recorded in Salesforce. Email the contractor the final letter and copy the monitoring team. Upload a final signed PDF version of the letter to the **Document Upload** section of the Contractor's AMD page in Salesforce labeled *Monitoring Report Letter -Signed.*	If the contractor has no findings, a **Verification of Conformance Letter ends the monitoring cycle for the contractor**. If the contractor has no findings, please skip to the last step of the timeline.
Within 30 days of sending the Monitoring Report Letter **(no later than May 30)**	The contractor has 30 days to submit a response to the Monitoring Report Letter, if one is required. If the contractor does not submit a response when one is required, send an "Overdue Response Letter" and upload it to the Notes and Attachments section of the Contractor's AMD page in Salesforce. Upon receipt of a response, distribute it to the monitoring team and upload it as a PDF to the **Document Upload** section of the contractor's AMD page in Salesforce labeled *Contractor's Response Letter.*	A response is only required if the contractor has findings where corrective action has been requested. Find the template for an Overdue Response Letter on the Details page of the AMD record in Salesforce. Set a new response deadline of 10 days.
Within 30 days of receiving the Contractor's response **(no later than June 30)**	Consult with the monitoring team about whether the contractor has addressed the findings. If the contractor's response is adequate, update Salesforce with the final status of each finding to generate a Final Status Letter. Direct the monitoring team to the Final Status Letter on Salesforce to request feedback, if necessary. Provide a timeframe for comments. Email a signed Final Status Letter to the contractor (copying the Monitoring Team). **This will close the monitoring cycle**. Upload the signed Final Status Letter to the **Document Upload** section of the contractor's AMD page in Salesforce labeled *Final Status Letter – Signed.*	Final Status Labels: • <u>In Conformance</u>: The Contractor submits documentation showing the finding has been resolved. • <u>Not Yet in Conformance</u>: The Contractor submits a plan to resolve the finding, e.g., before the next monitoring, but has not yet corrected the issue. If the Contractor's response does NOT adequately address the findings, send the Contractor an "Unsatisfactory Corrective Action Plan" letter and upload it to the Notes and Attachments section of the Contractor's AMD page in Salesforce.

When	Lead Monitor Activity	Comments
By June 30	Post all required and any relevant documents to the **Notes & Attachments** section of the Contractor's AMD page in Salesforce.	Post PDF versions of the following required documents: • Initiation letter (signed) • Monitoring Report Letter or Verification of Conformance letter (signed) • Contractor response • *If findings:* Final Status Letter (signed) • Other formal correspondence (e.g., overdue response letter). • Most recent Audited Financial Statements • Balance Sheet • Profit & Loss Statement • Contractor's Articles and Bylaws • Board roster • Agency-wide budget and cost allocation plan

Additional Tips for the Lead Monitor

Consult Existing Resources

- As lead monitor, your first resource should be your supervisor and/or your department's Steering Committee representative whenever questions arise.
- The Controller's Office and participating departments strive to assemble monitoring teams with a mix of skill sets and experience to:
  - Help newer monitors learn from others.
  - Provide deeper understanding in assessing a contractor's fiscal health.
- Consult with the monitoring team regarding any findings or questions related to the contractor.
- The Controller's Office team can answer technical questions about:
  - The monitoring form and how to apply standards.
  - Process issues regarding timelines or letters.
  - Other general inquiries.

Late Response by the Contractor

If the contractor's response to the Monitoring Report Letter is more than five days late, follow up by email and document this in a follow-up letter:

- Use the template "Overdue Response to Monitoring Report" in the Tools folder in Salesforce. Set a new deadline of **ten business days** for a response.

- o   Upload the letter to the Notes and Attachments section of the contractor's AMD page in Salesforce.
     - o   Direct the monitoring team to the letter in Salesforce.
- If the contractor does not respond within ten business days:
     - o   Notify your manager or Steering Committee representative and the monitoring team immediately.
     - o   The Controller's Office will engage the Steering Committee to discuss whether the contractor should be escalated and apply the Citywide Corrective Action Policy for non-responsiveness.
- If the Controller's Office determines the contractor should be designated to a Corrective Action Tier, they will:
     - o   Issue a letter informing the Executive Director and funding departments of the designation and consequences.
     - o   Copy the monitoring team and post the letter to the Notes and Attachments section of the contractor's AMD page in Salesforce.

Best Practices for Successful Monitoring

The Controller's Office recommends that departments adopt the following best practices for fiscal monitoring:

- Include fiscal monitoring procedures and standards in your department's manuals, policies, performance evaluations, and new staff orientation for staff expected to perform this work.
- Include a copy or reference to the Standard Monitoring Form in your department's contract boilerplate, or otherwise incorporate the fiscal monitoring criteria in contract language.
- Utilize monitoring information in renewal or contract/grant award processes, including review by oversight bodies or commissions.
- Maintain and follow written department policies to address nonprofits with serious monitoring findings or those who do not successfully complete corrective actions.
- Identify training needs:
     - o   For nonprofit contractors to improve fiscal and compliance performance.
     - o   For department staff to better identify contractor needs.
     - o   Share identified training needs with the Controller's Office, which may deploy group or individualized support.

Appendix: Risk Assessment Policy and Procedures

Purpose of the Policy

Risk Assessment is the process by which the Fiscal Monitoring Program defines which nonprofits are included in the annual monitoring process (i.e., "in the monitoring pool") and determines whether the nonprofit must be monitored or may receive a waiver based on a variety of risk factors.

Phase 1: Development of the Monitoring Pool

Policy for Development of Monitoring Pool

1. Nonprofits providing services to the community are included in the pool.
    a. Nonprofit consultants providing services to the City directly, or consultants funded to provide services to nonprofits (e.g., program evaluators, technical assistance providers, etc.) are excluded from the pool.
    b. Both professional services contracts and grant agreements are included in the pool, including cost reimbursement, deliverables-based, and operating grants.

2. The following types of nonprofits are excluded from the pool due to financial complexities beyond the scope of Fiscal Monitoring Program criteria (the Controller's Office may reassess these exclusions in the future):
    a. Public schools, colleges, and universities (e.g., SFUSD, SFSU, UCSF, City College)
    b. Hospitals and health plans (e.g., Dignity Health, St. Mary's)
    c. Banks and credit unions
    d. Nonprofit housing developers that operate primarily as developers and not as service providers
    i. Such nonprofits are explicitly determined by the Steering Committee as excluded. Current exclusions in this category are Bridge Housing, Mercy Housing, and Tenderloin Neighborhood Development Corporation.

3. Nonprofits receiving $500,000 or more across all contracts from a single department ("singly funded") are included in the pool, regardless of whether they are jointly funded by another City department.
    a. "Singly funded" nonprofits receiving less than $500,000 from a department are excluded from the pool but should receive some form of risk assessment and monitoring from the funding department, particularly those receiving more than $200,000.

    o   Example: A nonprofit receives $350,000 from Department A only. Since it is singly funded and below the $500,000 threshold, it is excluded from the citywide risk assessment pool. However, because the award is above $200,000, Department A should still conduct its own risk assessment and monitoring.

      o   Example: Department A has three contracts with Nonprofit X at $275,000, $150,000, and $75,000. The total funding from that department equals $500,000. Because Nonprofit X is singly funded and the total amount meets the $500,000 threshold, it is included in the pool.

4. To be considered "jointly funded," nonprofits must receive at least $100,000 across all contracts from each funding department.
a. Departments with total contract funding below the $100,000 threshold are not required to participate in the monitoring for that nonprofit.
b. Departments may choose to include nonprofits receiving below $100,000 total from that department, if deemed necessary based on internal risk assessment procedures.

5. Jointly funded nonprofits with total City funding from participating departments greater than $200,000 are included in the pool.

      o   Example: A jointly funded nonprofit receiving two $75,000 grants totaling $150,000 would be excluded from the pool, but a jointly funded nonprofit receiving two $100,000 grants totaling $200,000 would be included in the pool.

      o   Example: Nonprofit X receives funding from two departments:
          • Department A: $50,000 + $70,000 + $80,000 (total $200,000)
          • Department B: $100,000

Although none of Department A's individual contracts reach $100,000, Nonprofit X is considered jointly funded because it receives funding from multiple departments (A and B). The combined funding across departments is $300,000, which means Nonprofit X is in the Monitoring Pool.

6. Departments may include nonprofits receiving below $200,000 in the pool if deemed necessary. However, because these nonprofits are below the threshold, only the requesting department(s) will be required to participate on the monitoring team.

Procedures for Development of Monitoring Pool

1. Departments must submit all pending and confirmed contracts for the fiscal year to the Controller's Office upon initiation of the annual Risk Assessment process, which starts in August of each year.
a. Departments must use the estimated or anticipated funding amount for the fiscal year when completing risk assessment. Since not all contracts may be finalized, projections should be based on the best available information.

When estimating contract budgets, departments should:

      • Include only the portion of the contract budget expected to be spent within the current fiscal year.
      • Exclude the total or not-to-exceed amount of multi-year contracts from the annual risk assessment process
      • For nonprofit contracts that span partial fiscal years, estimate the prorated amount anticipated to be expended during the relevant portion of the year.

2. The Controller's Office will use submissions and criteria to determine which contracts should be included in the Monitoring Pool for that year.

3. If a department's nonprofit is no longer in the Monitoring Pool, that department should conduct independent monitoring according to the department's policies.

4. The final Monitoring Pool list will only be finalized after Steering Committee approval at the annual final Risk Assessment meeting, held in October or November of each year.

Phase 2: Risk Assessment of Monitoring Pool

Policy for Risk Assessment of Monitoring Pool

1. Departments and the Controller's Office will assess each nonprofit in the pool according to a specific set of risk factors.

2. Each risk factor listed below contributes to a nonprofit's annual risk score, with assigned weights reflecting the potential impact of each condition on fiscal health. Risk scores are cumulative, and higher total scores indicate greater potential risk. When assessing unresolved findings from prior monitoring, findings that meet the technical criteria for a Corrective Action designation will trigger higher risk weighting. These criteria are defined in the Citywide Corrective Action Policy and the Citywide Standard Monitoring Form, both available on the Citywide Nonprofit Monitoring and Capacity Building website, https://www.sf.gov/resource--2022--citywide-nonprofit-monitoring-and-capacity-building-program. Staff should refer to those documents for detailed definitions and examples of findings that qualify as Corrective Action triggers.

ID	Risk Factor	Weight
A	Unresolved fiscal findings in prior monitoring report 　　Any finding that may be technical criteria for a Corrective Action designation (see the list below) = 10 points 　　3 or more fiscal findings that are not technical criteria for a Corrective Action designation = 10 pts 　　1-2 fiscal findings that are not technical criteria for a Corrective Action designation = 5 points	5-10 pts
B	Executive Director and/or CFO turnover within the last year	10 pts
C	Contractor is new to City funding, i.e., has less than two years of City funding from any source	10 pts
D	Contractor implemented significant programmatic or operational changes in the prior year, with notable differences from previous program offerings	10 pts
E	Contractor's City funding increased by 100% or more in the past year	5 pts
F	Contractor implemented a new IT system in the past year (e.g., new financial system, new client tracking system, etc.)	5 pts
G	Contractor moved to a new location in the past year	1 pt

H	Areas of Concern
	Contractor has risk factors of significant concern to one or more departments that may not appear through prior monitoring results or other criteria above. Examples of areas of concern may include:
	
	    ▪ Fraud, suspected fraud or other major concerns that have come to light since the prior monitoring visit
	    ▪ Invoicing discrepancies
	    ▪ Lack of preparedness for past monitoring cycle(s)
		10 pts

3. The Controller's Office develops scores on a risk scale to determine whether a nonprofit must be monitored or may be eligible for a waiver of monitoring that year, per the table below.

Score Range	Recommended Monitoring
0 – 9	Waiver allowed
10+	Must receive monitoring

4. Nonprofits may receive a waiver of monitoring for one year based on the prior year's monitoring results.
    a. After one year of a waiver, a nonprofit must be monitored even if its risk level remains within the range to receive a waiver.
    b. A nonprofit must be monitored before that nonprofit receives another waiver of monitoring another waiver is allowed.
5. The Controller's Office will use this policy to identify which nonprofits must receive monitoring and which may be eligible for a waiver. Funding departments may offer additional adjustments to the scoring and/or may provide rationale for why a proposed waiver may not be appropriate and will use consensus to determine whether each nonprofit in the pool will be monitored or will receive a waiver for the year.

Procedures for Risk Assessment of Monitoring Pool

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

4. The Controller's Office will analyze the results of the Risk Assessment to apply the weights to various risk factors and indicate whether the nonprofit may be eligible for a waiver that year. This process typically occurs in October of each year.
5. The Controller's Office will convene departments to review and make final, consensus-based decisions about which nonprofits will be monitored or receive a waiver, which department will be assigned as lead department, and which staff will be assigned to the monitoring team. Departments are responsible for ensuring a person with the ability to make decisions for the department attends the entire meeting. This process typically is in October of each year.
6. The Controller's Office will finalize and distribute the final Monitoring Pool for edits prior to the launch of the annual monitoring cycle. This process typically is from late October to November of each year.
7. The Controller's Office will conduct a "Phase 3" review at the Quarter 2 Steering Committee Meeting to determine if any new nonprofits must be added to the pool and assessed. If departments have added any new contracts since the start of the Risk Assessment process, they will be incorporated into the Monitoring Pool at this time.

Policy Exceptions

Monitoring and Waiver Policy

The policy dictates whether a nonprofit will receive a **waiver** or be **monitored**, based on the established criteria. Departments may request exceptions in the following circumstances:

- A funding source requires a physical site visit.

- A department is newly funding the nonprofit and wants a physical site visit.

When one or more departments want a higher level of monitoring than the policy dictates, (from a waiver to monitored) this becomes **discretionary** and does not require the entire monitoring team to participate.

- If the nonprofit has been granted a **waiver** but one department requires or requests monitoring, the discretionary department will conduct the monitoring alone. Other departments may participate if they choose.

- In all cases, the discretionary department should include the other funding departments in communication about the monitoring, including the issuance of the monitoring report letter and any subsequent correspondence. Non-participating departments agree to accept the results of the monitoring as performed by participating departments.

Some departments, by internal policy, do not allow fiscal monitoring waivers. The Controller's Office will conduct risk assessments per the above process. If policy allows for a waiver but the nonprofit is funded by a department that does not allow waivers, the monitoring becomes **discretionary** and that funding department becomes the lead department and the full monitoring team is not required to participate.

In FY25-26, the **Department of Public Health** indicated that it will not allow waivers for fiscal monitoring and commits to appropriately staffing the fiscal monitoring activities to ensure timely and accurate

completion of all discretionary and required monitorings according to Fiscal Monitoring Program procedures.

Team Size Exceptions

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

- The team should include members from at least three of the funding departments, with additional members being discretionary based on departmental interest or need. The Controller's Office will develop a process to ensure the make-up of these teams is equitable and balanced across departments, as feasible.

- While standards apply to the organization as a whole, some standards rely on department-specific information (e.g., invoices, payroll, subcontracts). All funding departments will participate in the monitoring process and review invoices related to their own contracts.

- Regardless of participation on a specific team, all funding departments will be included in communication about monitoring, including the issuance of the monitoring report letter and any subsequent correspondence.

- Non-participating departments agree to accept the results of the monitoring as performed by participating departments.