



Fiscal Monitoring Program Overview

Fall 2026 Nonprofit Training Series

Office of the Controller

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September 30, 2026

Agenda

1	Welcome, Introduction, and Ice Breaker	**2:10-2:20pm**
2	Fiscal Monitoring Program Overview and Fiscal Monitoring Standards	**2:20-3:10pm**
3	***Break***	**3:10-3:20pm**
4	Capacity Building Overview	**3:20-3:35pm**
5	Corrective Action Policy (CAP) & Tier Designations	**3:35-4:10pm**
6	Wrap-Up and Q&A	**4:10-4:25pm**



Introduction to the Controller's Office

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.

The Controller's Office is charter-mandated (under Sec. 10.6-1) to:

- Create and oversee compliance with standards related to nonprofit contracting and monitoring
- Lead formal oversight over departments through compliance reviews and nonprofits through audits and corrective action
- Publicly report information on standards.



Introduction and Ice Breaker

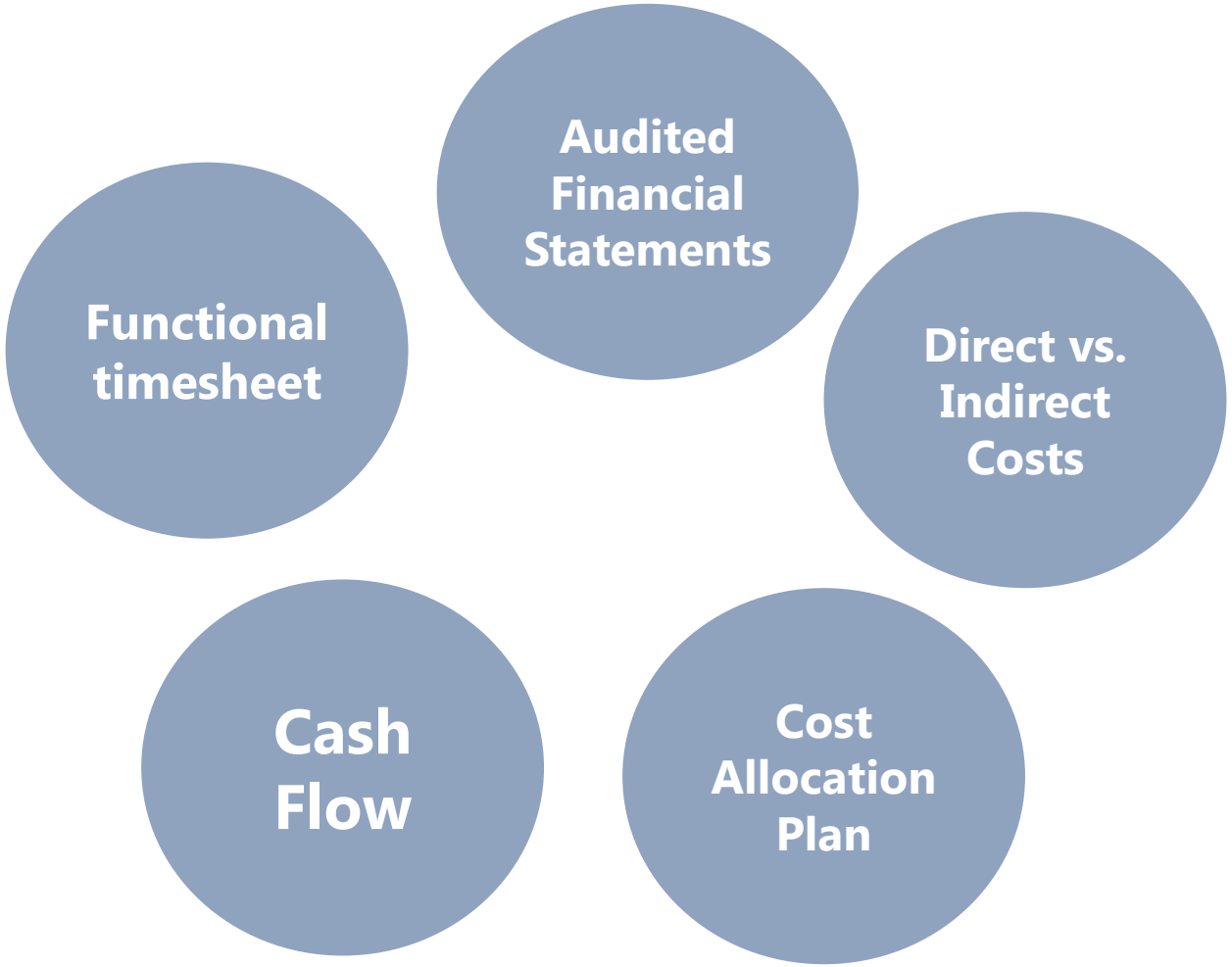
Part 1: Introduce yourself to the person sitting next to you, including name, organization, and role.



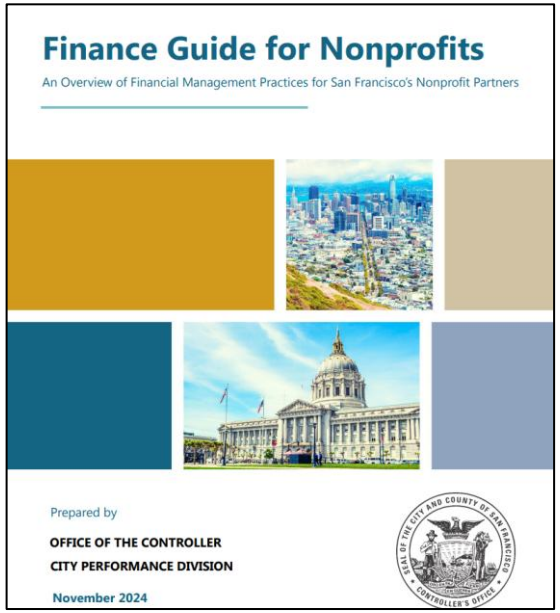
Introduction and Ice Breaker

Part 2: Staying seated, raise your hand when you see a nonprofit budgeting concept on screen that you feel **confident** in.

Nonprofit Budgeting Concepts



Bonus question: How many of you are aware or have seen the nonprofit finance guide on our website?



Link:
https://media.api.sf.gov/documents/Nonprofit_Finance_Guide_2024_NEW_TEMPLATE.pdf

Today's Training Goals

1. Build awareness of the Citywide Fiscal Monitoring and Capacity Building Program and why fiscal monitoring matters

2. Learn about the different roles of the Controller's Office, funding departments, and nonprofits

3. Understand how the City does annual joint fiscal monitoring and what's required from nonprofits

4. Understand the Corrective Action Policy and its updates



The Citywide Fiscal Monitoring Program: Overview and Q&A

What is Fiscal Monitoring and Why Does it Matter?



The City spends nearly **$1.6 billion each year** on a wide range of nonprofit contracted services that support the community.

Fiscal monitoring is how departments verify that nonprofit contractors follow sound financial practices, maintain documentation, and safeguard City funds.

Every year, departments that fund nonprofits must monitor their nonprofits' fiscal practices (per City policy and the Controller's standards).

Nonprofits are monitored to:

- ✓ Ensure responsible use of public funds
- ✓ Maintain compliance with financial rules
- ✓ Promote strong financial management and organizational stability
- ✓ Identify and mitigate financial and operational risks



The Citywide Fiscal Monitoring Program

The **Citywide Fiscal Monitoring Program** helps departments fulfill their fiscal monitoring obligation jointly in coordinated, efficient way.

Through this program, participating departments conduct **one joint fiscal review** per nonprofit each year using shared standards developed by the Controller's Office and departments.

If issues show up, departments record them as findings and give nonprofits a chance to fix them. Serious and persistent findings trigger the Citywide Corrective Action Policy.

This approach reduces duplication, promotes consistency, and provides nonprofits with clearer feedback and access to capacity-building support.

Summary of Roles in the Fiscal Monitoring Program

Nonprofits – Team Players

Nonprofits deliver services funded by City contracts and manage funds. They maintain fiscal records, participate in monitoring, and work with departments to resolve findings or strengthen practices.



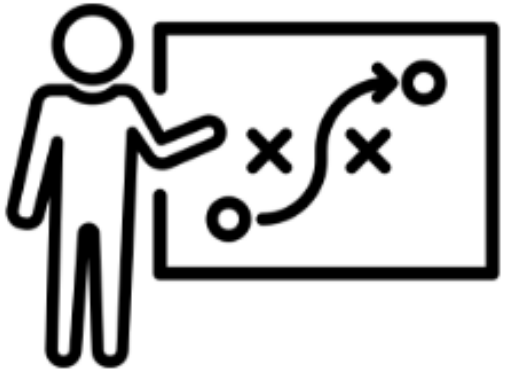


Controller's Office – Referee and Head Coach

The Controller's Office sets Citywide fiscal monitoring standards and ensures departments follow consistent processes. It leads the Risk Assessment, oversees quality assurance, and supports both departments and nonprofits through tools, training, and oversight.

Departments – Team Managers and Coaches

City departments oversee nonprofit contracts and ensure compliance with Citywide fiscal standards. They lead monitoring, review financial documentation, and collaborate on corrective actions with Controller's Office.





Steering Committee – Strategy and Playbook Designers

The Committee defines the Citywide monitoring strategy and annual game plan. It weighs in on which nonprofits are monitored or waived, informs program policies, and supports Citywide consistency and training.

Participating Departments in the Fiscal Monitoring Program

These **15 departments** account for **98% ($1.63 billion) of City funding** going to all nonprofits.

Justice and Public Safety
- Adult Probation Department
- Juvenile Probation Department
- Sheriff's Department

Health and Human Services
- Department of Public Health
- Department of Homelessness and Supportive Housing
- Human Services Agency

Art and Community
- Arts Commission
- Agency on Human Rights (Department on the Status of Women and Human Rights Commission)
- City Administrator's Office

Children, Youth and Families
- Department of Children, Youth, and Their Families
- Department of Early Childhood

Housing and Development
- Mayor's Office of Housing and Community Development
- Office of Economic and Workforce Development

Infrastructure and Operations
- Department of Public Works
- Department of Technology

Joint Monitoring

Nonprofit Fiscal Monitoring Pool

Nonprofit Fiscal Monitoring Pool

Which nonprofits are included in the pool?



Singly funded nonprofits now enter the Monitoring Pool at **$500k+ from one department.**



Jointly funded nonprofits enter at **$200k+ combined funding across departments**, with **at least $100k from each department**.



Based on risk assessment, eligible nonprofits will either receive a **waiver** or be **monitored**.

If your nonprofit is funded solely by departments **not** participating in the Fiscal Monitoring Program, you may not be included in the Nonprofit Fiscal Monitoring Pool. Departments that do not participate remain responsible for conducting fiscal monitoring themselves if a nonprofit meets the funding threshold.

Monitoring: Process Overview

Nov-Feb: Nonprofits receive initiation letters with submission due date

Aug-Nov

Dec-June 30

1 **Risk Assessment**

- Nonprofits are informed whether they will be monitored or waived from monitoring based on risk assessment results

2 **Provide Requested Docs** to Lead Monitor

- Audited financial statements
- Balance sheet
- Profit and loss statement
- Board meeting minutes
- Fiscal policies and procedures

3 **Closeout** with No Findings

- Nonprofits have no findings
- Nonprofits receive the Verification of Conformance letter from lead department

OR

4 **Respond to Initial Findings**

- Nonprofits receive preliminary findings letter (PFL)
- Nonprofit response to findings within 30 days of PFL receipt
- Dept. review nonprofit response
- Findings resolved or unresolved

5 **Final Findings**

- Nonprofits receive Final Status Letter with final results
- Findings in conformance and/or findings not yet in conformance
- Findings not in conformance include steps for corrective action

Monitoring and Waiver Policy

The Risk Assessment informs whether a nonprofit is monitored or waived in a given year. Funding departments and the Controller's Office also consider history of findings, specific funding streams (e.g., federal funding), or other areas of concern in making a final monitoring determination for each nonprofit.

Monitored	Waived
• Based on risk score ≥ 10 or after a prior waiver year. • Historically, resulted in full or partial review depending on findings.	• Based on risk score 0–9. • No monitoring required for that year. • After one waiver year, nonprofit must be monitored in the next cycle even if risk level remains within scoring range to receive a waiver.

Risk Assessment Exceptions

There are a few situations where **departments may request exceptions and conduct monitoring even in the instance of strong performance:**

1. Funding requirements
Some funding sources require a site visit or a monitoring review. In that case, monitoring must happen even if the nonprofit would otherwise be eligible for a waiver.

2. New funding relationships
If a department is funding a nonprofit for the first time, the department may request to conduct a monitoring, even if the nonprofit would otherwise be eligible for a waiver.

3. One department has individual concerns or needs and determines monitoring is needed
If one department determines a monitoring is needed based on internal contracting needs, that department may do an individual monitoring even if the nonprofit would otherwise be eligible for a waiver. Other departments do not need to participate, but they must accept the results if they choose not to join.

4. Departments may have internal policies that do not allow waivers
Some departments have internal policies to not allow waivers of fiscal monitoring. If the risk score allows a waiver but the nonprofit is funded by one of these departments, that department will perform the monitoring. Other departments do not need to participate, but they must accept the results if they choose not to join. As of FY26-27, only DPH has indicated it will not provide waivers of monitoring, though this is subject to change.

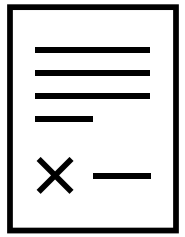
How Nonprofits Can Prepare for Annual Fiscal Monitoring: Fiscal Monitoring Standards

Monitoring Checklist – Required Documents

Payroll



Subcontracts & Fiscal Sponsorships



Agency-wide Budget



Cost Allocation



Audited Financial Statements



Financial Reports



Fiscal Policies and Procedures



Board Oversight



Standard Monitoring Form Addition

Monitoring Standards	Monitoring Guidance for Departments and Nonprofit Contractors	Acceptable Documentation Checklist*
	include support showing how the allocation methodology was applied to the current agency-wide budget and financial reports, ensuring clear alignment between the plan, the budget, and billed costs. This documentation allows City reviewers to confirm that allocations are reasonable, consistently applied, and appropriately reflected in financial reporting.	
4. Audited Financial Statements ☐ a. Completed and complete: all sections and statements included opinion and other audit letters are signed; sections include: - Opinion Letter - Statement of Financial Position (Balance Sheet) - Statement of Activities (Income Statement) - Statement of Cash Flows - Statement of Functional Expenses	**Department Guidance:** Apply these standards when Contractor meets the criteria to receive an audit per the Controller's Office policy (see link). Per the policy, City monitors should first use the City Administrator's public list (see link) of webpages as part of the Annual Economic Statement reporting requirement to find each organization's audit. If not posted, then the department should request it directly from the nonprofit. All standards in this section apply regardless of whether a Contractor received a standard audit of financial statements or a single audit. If Contractor has been required to receive an audit of its financial statements but has not done so, monitors should mark 4a and 4f as findings; no other standards in this category apply. All other standards in this category (4b-4e and 4g-4i) apply only when reviewing actual audit documents.	☐ Management letter or statement that one was not provided ☐ Prior year audit **Note:** Annual audits must be submitted within nine months after the end of the organization's operating year. ▪ Calendar Year - December 31st ▪ Federal Year -September 30th ▪ Fiscal Year – June 30th

Standard Monitoring Form Addition

Nonprofit Guidance

Department Guidance:
Preparedness and responsiveness are evaluated by whether the contractor submits required documents by the Monitoring Date and engages promptly in monitoring activities. A finding may be issued when documents are late, remain outstanding after an overdue notice, or when the contractor is unresponsive or unprepared for scheduled meetings. Supporting evidence comes from City-maintained submission logs and correspondence, and no additional documentation is required from the grantee solely for Category 9.

Nonprofit Guidance:
Preparedness will be assessed based on contractor's timely provision of documents listed within the Monitoring Initiation Letter in accordance with the schedule specified in the monitoring initiation letter (i.e., by the Monitoring Date). A tangible measure for a finding in Category 9 is:

- Required documents were not submitted within required timeline, after the lead monitor issued an overdue response letter or used a post submission engagement to request missing documentation
- Contractor was not responsive or not prepared for requested meetings

Monitoring Checklist – Required Documents



PAYROLL

Details: Provide proof that payroll taxes were paid. This can be either a canceled check or a statement/invoice from your payroll company showing that payroll taxes for the quarter have been paid.

Common CAP Trigger: If employee time is paid by more than one source, it is recorded by funding source or program on timesheets, or tracked separately via time study

Standards Required for Monitoring

Monitoring Standards	Monitoring Guidance for Departments and Nonprofit Contractors	Acceptable Documentation Checklist*
1. Payroll ☐ a. State DE 9 and federal 941 payroll tax returns were filed by the end of the month following the end of the quarter for monitoring months under review	**Department Guidance:** Request and review the Contractor's DE 9 and 941 returns, payroll tax verification, bank statements, and payroll register/journal for the months under review. If departments have already requested payroll or timesheets for the months under review as part of invoice processing, do not request documents again; share relevant payroll documents with the monitoring team as needed.	☐ DE 9 ☐ 941 ☐ Payroll tax payment proof ☐ Timesheets/Time studies ☐ Staffing allocation plan

Monitoring Checklist – Required Documents



AGENCY-WIDE BUDGET

Details: Your agency-wide budget should show the total revenue and expenses for each program, including programs with multiple funding sources. Budgets that are only organized by funding sources do not meet the requirement.

Common CAP Trigger: Shows income and expense by program and clearly distinguishes City, state, federal, and other revenue sources separately including foundations, donors, etc.

Monitoring Checklist – Required Documents



COST ALLOCATION

Details: If not otherwise demonstrated through submitted financial documentation, nonprofits must provide a written cost allocation plan that details how shared or indirect costs are distributed, to meet the fiscal monitoring standard.

Common CAP Trigger: Cost allocation procedures and plan for shared and indirect costs are documented in a written narrative or in the footnotes of the current approved agencywide budget

New CAP Trigger: Procedures for cost allocation match actual cost allocation found in agency-wide budget and financial documents … *Are you following your cost allocation plan?*

Monitoring Checklist – Required Documents



AUDITED FINANCIAL STATEMENTS

Details: Submit your **most recent** audited financial statements and **management letter**. Audits must be completed within 9 months after the end of your fiscal year. If your audit is still in progress, please provide:

1. a copy of the engagement letter
2. timeline for completion
3. the prior year's audit (if not previously submitted)

Common CAP Trigger: Total unrestricted net income (change in net assets) is positive over the sum of 2 consecutive years, or the contractor provides a reasonable explanation for how it will be positive by the end of the fiscal year. Total change in cash is positive over the sum of 2 consecutive years, or agency has a reasonable explanation and/or plan to reverse cash outflow.

Monitoring Checklist – Required Documents



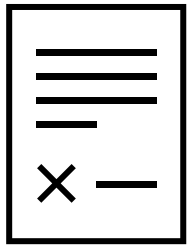
FINANCIAL REPORTS

Details: Provide your most recent year-to-date Balance Sheet and Profit and Loss Statement. These reports must be current—updated and reconciled within the last three months. Reconciliation is required and working capital ratio and net income are reviewed from these documents.

Common CAP Trigger: Working capital ratio is greater than 1 & Year-to-date net income is either a positive number, or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year

Nonprofit Guidance:
Provide the most recent year-to-date Balance Sheet, Profit & Loss Statement, and Bank Reconciliation within the timeframe specified by the City (should be **within three months of the monitoring documents submission due date**). Include the chart of accounts and general ledger detail sufficient to show year-to-date income and expense by program, contract, or funding source, including indirect costs. If YTD

Monitoring Checklist – Required Documents



SUBCONTRACTS & FISCAL SPONSORSHIPS

Details: Documented procedures for entering into and managing subcontracts and/or fiscal sponsorships and documents showing contractor follows such procedures. Documentation that the Contractor follows its policy related to monitoring fiscal and programmatic performance of subcontractors and or/or fiscal sponsors.

Monitoring Checklist – Required Documents



FISCAL POLICIES AND PROCEDURES

Details: Nonprofits must provide their Fiscal Policies and Procedures manual or separate policies that demonstrate how they manage internal controls, payroll, procurement, record retention, etc. This includes documented procedures for entering into and managing subcontracts and/or fiscal sponsorships, if applicable.

6. Fiscal Policies and Procedures ☐ a. Upon turnover of executive director and/or fiscal manager, policies and procedures are reviewed within one year of the change [if applicable] ☐ b. Policies are current (updated or reviewed within the past two calendar years to reflect monitoring/audit results) ☐ c. Complete (contains policies and procedures related to:	**Department Guidance:** Items a-b.: Policies must be reviewed when leadership changes, and should be assessed every two years, even if no changes are necessary. Agencies can meet the standard by creating a version history to show reviews occurred and when policies were last updated. If the Contractor does not meet the standard, document the date when the Fiscal Policies and Procedures were last updated in the Preliminary Findings Letter. Item c.: The document should address ALL items in the list with sufficient detail to be actionable, and should be specific to the agency, not generic. Monitors must cross-reference manual(s) to the specific standards listed in item c. to ensure nonprofit actions match written procedures, per item d.	☐ Fiscal policies manual with approval date ☐ Version history of previous manual with date ☐ Evidence of approval workflow

Monitoring Checklist – Required Documents



BOARD MINUTES SHOWING SPECIFIC ACTIVITIES

Details: Board minutes must show:

- Approval of your current agency-wide budget available and clearly marked for review before your monitoring date.
- That financial reports were shared with the Board at least once per quarter available and clearly marked for review before your monitoring date.
- That the Board reviewed and discussed the most recent audit within the current fiscal year available and clearly marked for review before your monitoring date

Acceptable Documentation Checklist*
☐ Approved board meeting minutes
☐ Current board roster
☐ Signed conflict-of-interest policies
☐ Executive Director performance review documentation
☐ Current board manual
☐ Attestation signed by Executive Director and Board President in lieu of minutes, as relevant

The Controller's Office Capacity Building Program: Overview and Q&A

What is the Capacity Building Program?



The Controller's Office Capacity Building Program is a City-sponsored initiative offering free, tailored coaching, training, and resources to help nonprofits **strengthen their financial management, governance, and operations and to prepare for contract and fiscal monitoring**. The program also provides technical assistance for City staff who conduct contract and fiscal monitoring and oversight of nonprofits.

San Francisco recognizes that nonprofits are vital partners in delivering services to the community. By investing in nonprofit capacity, the City wants to ensure stronger organizations and, in turn, stronger services for San Francisco residents.

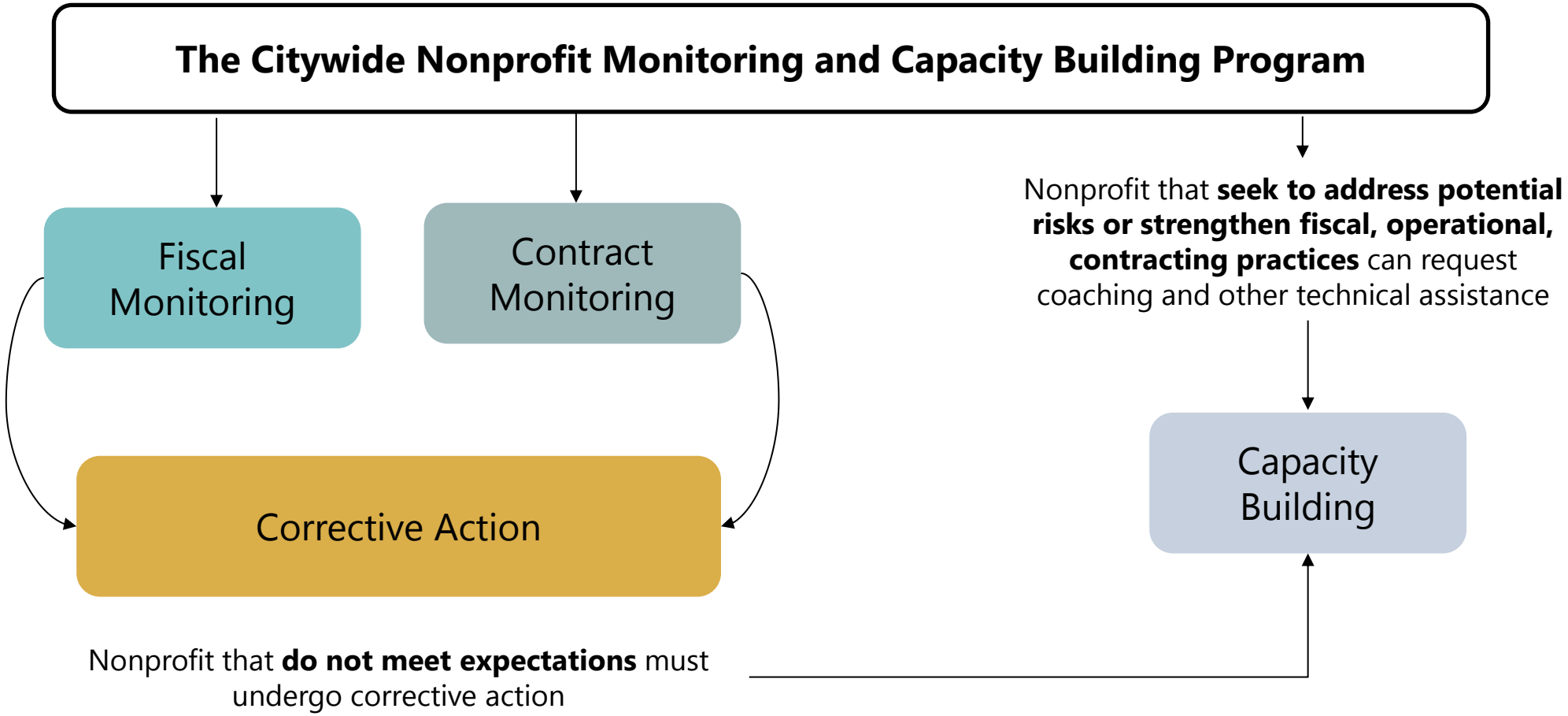
Technical Assistance Topics

Nonprofits may get individualized coaching, group training, and/or relevant resources on all the below topics, which include examples.

Finance	Operations	Governance	Contracting
• CPA audit preparation • Board financial oversight • Budget development and cost allocation • Cash flow management • Payroll, invoicing, and fiscal policies	• Organizational process and policy development • Human resources and workforce practices (e.g., payroll, benefits, timesheets) • Administrative systems streamlining	• Board role and responsibilities • Strategic planning and organizational sustainability • Nonprofit management leadership capacity	• Reporting practices and policies and procedures • Contract compliance and risk management • Program design, evaluation, and performance measures • Change management and organizational policy

Nonprofits can get coaching through self-referral or Corrective Action

Nonprofits can access the Capacity Building program through two paths, fiscal or contract monitoring or self-referral.



How Does a Nonprofit Start Coaching?

If **referred by a department** or **through Corrective Action (Tier 2 and 3)**, nonprofits should expect to hear from the Controller's Office and their funding department(s) to start a conversation about what areas they may need technical assistance support.

Nonprofit contractors may refer themselves for coaching if they identify relevant practices they would like to strengthen. A nonprofit must fill out a Coaching Request Form and email supporting documentation to nonprofit.monitoring@sfgov.org.



Once a coaching request is approved by the City, a nonprofit is set up with a consultant with specialized expertise in a variety of nonprofit management topics.

Summary of Roles in the Capacity Building Program

Nonprofits – Team Players

Nonprofits are the athletes on the field. They put in the work to strengthen their "form" to score and win. Their form includes their financial systems, leadership practices, and operational stamina.



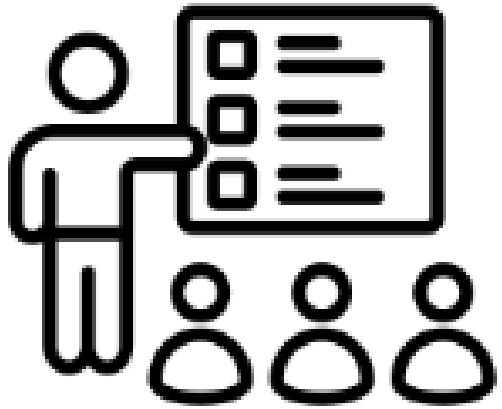


Controller's Office – League Commissioner

City Performance is the league commissioner. We assign coaches to teams (nonprofits), manage progress reports, evaluate outcomes, and adjust the training strategy based on performance data. We may also help design trainings and other resources.

Consultant – Specialist Trainer

The consultant acts is like a specialist trainer brought in to help the team strengthen key skills. They work directly with nonprofit staff on the technical assistance. They are the on-the-ground strategist who helps nonprofits build the skills and systems to play stronger smarter in the long run.





Departments – Team Managers

Departments may identify where players need extra coaching and refer them for training when weaknesses appear (e.g., after a tough season or fiscal finding). They might check in on player progress by coordinating with coaching staff (Controller's Office and consultant coach).

What Nonprofits Should Know About the Corrective Action Policy and Tier Designations



Corrective Action Policy Background

Purpose

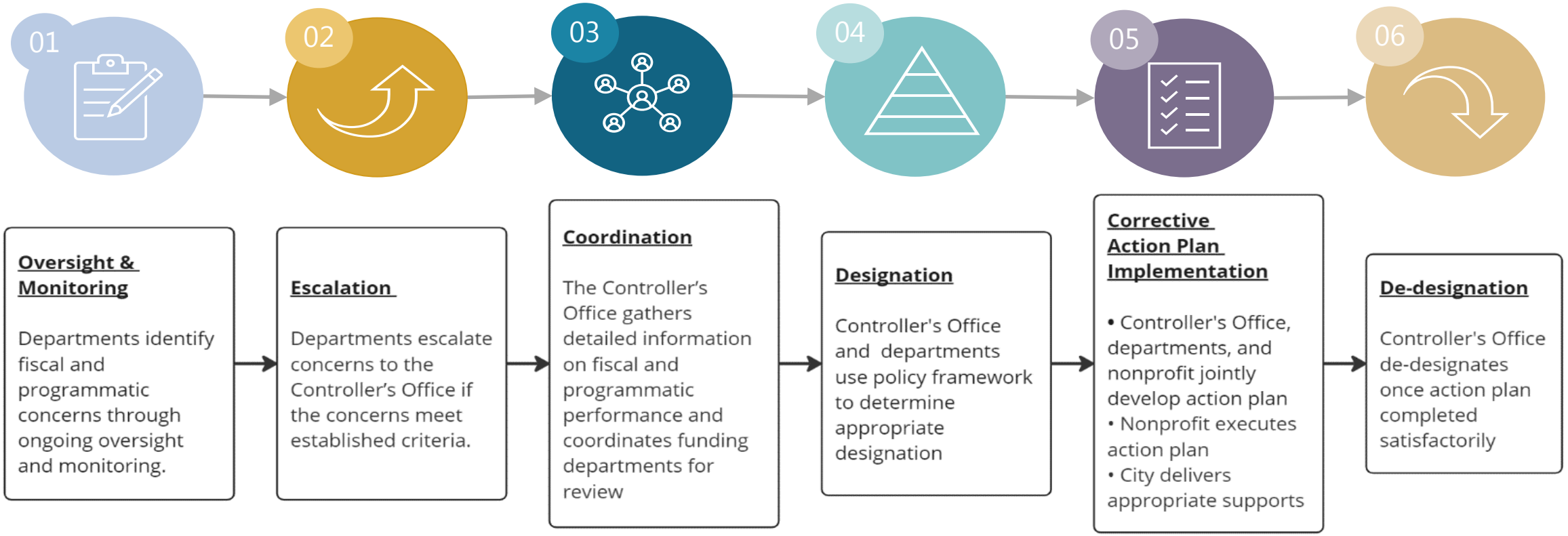
- The policy helps identify nonprofit contractors that are not meeting City standards for service delivery or financial management.
- The policy ensures the City provides appropriate oversight and technical assistance to address these issues timely.

Background

- The Controller's Office has administered a **Citywide Nonprofit Corrective Action Policy since 2014.**
- Per 2024 legislation, the Controller's Office **updated the policy** to clarify the process used to apply corrective action and the criteria used to designate an organization for financial, contract, and programmatic issues. *The most recent update was published on September 29, 2026.*

Corrective Action Process and Workflow

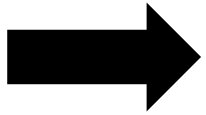
The policy outlines a six-step, collaborative process to identify and resolve financial, contract, administrative, and programmatic issues



Tier 1 Criteria

- Tier 1 identifies lower-severity issues that may be indicators of future risk findings and is less severe than Tiers 2 and 3.
- If a nonprofit has serious financial or programmatic issues, the Controller's Office and departments will assess whether there are **mitigating factors** (usually for new nonprofits) and may assign a Tier 1 designation (as opposed to Tier 2). Client safety concerns are not eligible for Tier 1 status.

Mitigating Factors



01 **Newly established nonprofit**

- Received 501(c)(3) status within the last 7 years

02 **New recipient of City funding**

- Received first contract or grant from any City department as a direct grantee within the last two fiscal years

03 **Rapid increase in City funding**

- Total funding amount has more than doubled within the last three fiscal years

04 **Extenuating circumstances**

- Fire, flood, or natural disaster
- Delayed contracting or payments by the City
- Significant staff turnover

Tier 1 Designation Impact

- At this designation, nonprofits are encouraged but **not required to accept technical assistance**.



- Their **status is not publicly reported.**



- Departments **may not use a nonprofit's Tier 1 designation to inform funding decisions**.



Tier 2 Criteria

- If a nonprofit shows a pattern of **serious and persistent financial, programmatic, and/or contract issues** that haven't been adequately resolved through department-level corrective actions, the Controller's Office and funding departments may assign a Tier 2 designation.

- Tier 2 indicates elevated risk to public funds or service delivery and triggers coordinated, Citywide oversight and mandatory corrective action planning.

Example Tier 2 Issues

Programmatic Issues	Fiscal Issues
Isolated **client safety** incident(s) that were swiftly and satisfactorily corrected	Nonprofit **fails to show allocation of shared and indirect costs** by program in its budget for 2 years
Inability to scale programs to meet growing demand, impacting **provision of services**	A nonprofit's audit has a **material weakness** noted in the management letter for 1 year
Consistent underperformance of contracted service objectives or **performance measures**; far below reasonable targets	Nonprofit financial reports show **working capital ratio less than 1** for 2+ years
Chronic late **reporting** or inconsistent **data entry**	Nonprofit is **not in good standing** with the California State Attorney General Registry of Charitable Trusts for 2 years
Misalignment of program data/reports with **invoices**	Nonprofit does not document that **payroll taxes were actually paid** for 1 year.

Tier 2 Designation Impact

- At this designation, nonprofits **are required to accept technical assistance**.



- Their **status is publicly reported.**



- Departments **may not consider** a nonprofit's **Tier 2 designation in and of itself** as a factor in **funding or defunding decisions**, though they can consider a nonprofit's past performance in such decisions.



- Departments **may not use** a nonprofit's **Tier 2 designation** as a consideration in scoring of solicitations for **new funding**.

Tier 3 Criteria

- If a nonprofit shows a **pattern of severe financial, programmatic, and or contract issues**, or if Tier 2 issues worsen without resolution, the Controller's Office and departments may assign a Tier 3 designation.

- Tier 3 indicates high risk to public funds and client services and triggers heightened oversight, mandatory technical assistance, and potential funding implications.

Example Tier 3 Issues

Programmatic Issues	Fiscal Issues
Widespread and/or ongoing **critical safety incidents**	Nonprofit **fails to show allocation of shared and indirect costs** by program in its budget for 3+ years
Failure to deliver basic contracted services over a sustained period	A nonprofit's audit has a **material weakness** noted in the management letter for 2+ years
Severe underperformance of contracted service objectives or **performance measures**	Expenses tested on **invoices do not have supporting documentation** for 3+ years
Fraudulent data or reports	Nonprofit is **not in good standing** with the California State Attorney General Registry of Charitable Trusts for 3+ years
Fraudulent invoicing	Nonprofit does not document that **payroll taxes were actually paid** for 2+ years.

Tier 3 Designation Impact

- At this designation, nonprofits **are required to accept technical assistance**.



- Their **status is publicly reported.**



- Departments **may use** a nonprofit's **Tier 3 designation** as a consideration in scoring solicitations for **new funding.**
- Departments **may also use** a nonprofit's **Tier 3 designation** as a factor in **funding or defunding decisions.**



Complete Fiscal Monitoring Standard Table (Part 1)

Fiscal Monitoring Standard with Nonconformance Finding		Tier 1	Tier 2	Tier 3
Agency-wide Budget				
a.	Current (fiscal or calendar year)	1 year	2 years	3+ years
b.	Shows income and expense by program	1 year	2 years	3+ years
c.	Shows allocation of shared and indirect costs by program	1 year	2 years	3+ years
e.	Clearly identifies all revenue sources (City, state, federal)	1 year	2 years	3+ years
Audited Financial Statements				
a.	Completed: all sections and statements are included; opinion and other audit letters are signed		1 year	2+ years
b.	Unmodified opinion		1 year	2+ years
c.	No material weaknesses or significant deficiency mentioned in the audit or management letter		1 year	2+ years
d.	No going concern stated in the notes to the financial statements		1 year	2+ years
e.	No current audit findings and/or questioned costs	1 years	2 years	
f.	Audit completed within nine months of the close of the contractor's fiscal year	2 years	3+ years	
g.	Total unrestricted net income (change in net assets) is positive over the sum of 2 consecutive years	1+ year	3+ years	
h.	Total change in cash positive over the sum of 2 consecutive years	1+ year	3+ years	
Cost Allocation Procedures				
a.	Cost allocation procedures and plan for shared costs are documented in a written narrative or in the footnotes of the current approved agency-wide budget	1 year	2 years	3+ years

Complete Fiscal Monitoring Standard Table (Part 2)

c.	Cost allocation procedures and plan for indirect costs are documented in a written narrative or in the footnotes of the current approved agency-wide budget	1 year	2 years	3+ years
e.	Procedures for cost allocation match actual cost allocation found in agency-wide budget and financial documents such as financial reports, contracts	1 year	2 years	3 years
f.	Cost allocation procedures shared across departmental contracts are allocated consistently, reflect reasonable and supportable methods, are properly documented, and assigned to the appropriate funding sources	1 year	2 years	3+ years
Financial Reports				
b.	Working capital ratio is greater than 1	1+ year	3+ years	
f.	Year-to-date net income is a positive number	1+ year	3+ years	
Nonprofit Registry Status				
a.	Nonprofit is in good standing with the California State Attorney General Registry of Charitable Trusts	1 year	2 years	3+ years
Payroll				
c.	Documentation that payroll taxes due were actually paid*		1 year	2+ years
d.	If employee time is paid by more than one source, it is recorded by funding source or program on timesheets, or tracked separately via time study	1 year	2 years	3+ years
Subcontracts				
b.	Signed agreements between Contractor and subcontractors and/or fiscal sponsorships are current, and include scope of work/deliverables and payment requirements*		1 year	2+ years
c.	Documentation that the Contractor follows its policy related to monitoring fiscal and programmatic performance of subcontractors and/or sponsored programs providing direct services to clients, including monitoring of invoices (e.g., validating receipts)		1 year	2+ years

Complete Fiscal Monitoring Standard Table (Part 3)

	Department Escalation & Oversight
	Department-identified lower-severity, serious, or severe financial issues which are not outlined above (e.g. invoice issues, non-compliance with department financial policies, etc.) may also be criteria for Citywide designation: • **Tier 1:** Lower-severity financial issues that may be indicators of future risk • **Tier 2:** Serious financial issues, which have generally persisted over time (e.g., multiple years) despite department intervention • **Tier 3:** Severe financial issues such as financial constraints that lead to inability to perform core contracted services

Corrective Action Plan Implementation

The Controller's Office shares the finalized action plan with departments and the nonprofit contractor. Departments and nonprofit contractors meet periodically as part of normal contract management activities to engage on progress toward action plan goals and contract objectives. If the nonprofit contractor receives capacity building services provided by the Controller's Office, the Controller's Office provides coaching updates to departments, and at intervals specified in the action plan ("milestones"), holds meetings with departments and nonprofits to evaluate the nonprofit's progress towards completing its action plan goals

Corrective action plans include:

- List of findings and areas of concern
- Strategies, activities and/or tasks to address each finding
- Timeline for achieving the milestones or results
- Supports associated with each strategy or task, including consultant technical assistance, departmental engagement, or nonprofit-led supports
- Timeline for check-ins and monitoring throughout implementation of the action plan



De-Designation and Additional Measures

- Designation to a Corrective Action Tier is meant to be temporary and only last until the nonprofit has resolved the issues which led to designation.
- At the end of the timeframe established in the plan, the Controller's Office will re-evaluate performance.
- **Satisfactory resolution of all findings will lead to a de-designation.**
- Though de-designation is the goal, the Controller may also take the following actions:
  - **Lowered designation**: re-designate at a lower corrective action tier
  - **Extended timeline**: extend timeline at current corrective action tier
  - **Heightened designation**: raise to a higher corrective action tier
- Should issues persist or worsen, the City may implement additional measures as appropriate (e.g., identification of alternative service providers, de-funding, debarment, etc.)

Next Steps and Wrap-Up