

**Gavin Newsom  
Mayor****Naomi Little  
Director/Purchaser*****MEMORANDUM***

**TO: SUPERVISOR SOPHIE MAXWELL**

**FROM: OFFICE OF CONTRACT ADMINISTRATION  
HUMAN SERVICES AGENCY  
CONTROLLER'S OFFICE  
DEPARTMENT OF CHILDREN, YOUTH & FAMILIES  
DEPARTMENT OF PUBLIC HEALTH  
MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT  
SAN FRANCISCO HUMAN SERVICES NETWORK**

**DATE: OCTOBER 20, 2005**

**SUBJECT: NONPROFIT CONTRACTING TASK FORCE PROGRESS REPORT**

At the April 11, 2005 Board of Supervisor Government Audit and Oversight Committee, the Board members asked the Non-Profit Review/Appellate Panel to update the Board in six months on the status of implementing the Non-Profit Contracting Task Force recommendations.

The City has continued to demonstrate its strong commitment to improve and streamline the health and human services non-profit contracting process. A review/appellate panel convened in January 2005 with representatives from six City departments comprising the Office of Contract Administration ("OCA"), Controller, Department of Public Health ("DPH"), Human Services Agency ("HSA"), Department of Children Youth and Families ("DCYF"), and Mayor's Office of Community Development ("MOCD"), as well as representatives from the Human Services Network, including Baker Places, Catholic Charities, and Edgewood Center. The panel agreed that establishing a review/appeal process without progress on implementation of Task Force recommendations would not be particularly productive. To move implementation forward, the panel, led by OCA, initiated monthly check-in meetings to foster communication between the Human Services Network and the City. The panel has consistently and successfully met each month to discuss the progress of the City as a whole, as well as each participating City department. The City intends to bring additional City departments into the implementation phase as part of its future plans. Evaluation of implementation efforts will serve as the foundation from which the City and the nonprofit contractor community can raise and discuss issues through a newly established review/appeal process.

As an evolving process, the original Task Force recommendation timelines have not been met, but the City is committed to establishing realistic timelines to see the process through and to promote fuller understanding and cooperation by departments. Toward this end, the Controller's City Service Auditor Division has provided much appreciated resources and coordination.

The City departments have put a lot of time and effort into streamlining the contracting process for health and human services non-profits. Not every department may agree with the Human Services Agency's assessment of the City's progress. As a result, the agenda for our next Review/Appellate Panel meeting is to create a new work plan that addresses the concerns raised by the Human Services Network and the concerns of the City departments. Again, we are ALL committed to streamlining the process to everyone's benefit.

Following is a report by the six participating departments and the Human Services Network regarding the City's progress over the last six months.

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| <b>RECOMMENDATION #1: CONSOLIDATE CONTRACTS, WHERE APPROPRIATE, ACROSS OR WITHIN DEPARTMENTS</b> |
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**FY 2003-2004 Implementation Milestones:**

- As contracts are renewed, or sooner if appropriate, the departments (DPH, HSA and DCYF and MOCD) that already have a draft plan to consolidate contracts will begin to implement the plan.
- Departments that do not have a plan to consolidate contracts will develop a plan to consolidate contracts.

**FY 2004-2005 Implementation Milestones:**

- As contracts are renewed, or sooner if appropriate, departments (DPH, DCYF, HSA and MOCD) that already have a draft plan to consolidate contracts will review and evaluate implementation to determine if plans have achieved consolidation goals.
- Departments that did not have a plan to consolidate contracts during 03-04 will develop and implement plan.

**FY 2005-2006 Implementation Milestones:**

- Implementation will be reviewed and evaluated to determine if plans have achieved consolidation goals.

**Review Appellate Panel Goal:**

- Consolidate MOCD's nonpublic service contracts with the Redevelopment Agency.  
Consolidate MOCD's public service grantees by function and into clusters by July 1, 2005.

**HSA:** In FY 04-05 HSA consolidated all of its public entity contracts, including those with San Francisco State, City College and the San Francisco Housing Authority. HSA also began the process of revising and streamlining all 44 grants from the Department of Aging and Adult Services (DAAS). In FY 05-06, HSA is consolidating over 30 programs into 5-7 "Master Grant" agreements including the following DAAS grants: Episcopal Community Services, Catholic Charities, Hamilton Family Centers, St. Vincent De Paul Society, Private Industry Council, Children's Council and FSSBA.

**DCYF:** DCYF has consolidated contracts where appropriate with MOCD and HSA and will continue to do so.

**DPH:** Mental health and substance abuse contracts have been integrated where appropriate during FY 04-05 & FY 05-06.

**MOCD:** A number of MOCD's nonpublic service contracts have been consolidated with the Redevelopment Agency. MOCD has consolidated the public service grantees by function and into clusters. In the next program year, contracts will be consolidated by geographic district.

**HSN:** The City is at least one to two years behind schedule from the original timeline to implement most recommendations, especially those that require centralized leadership to standardize policies and processes across departments. (Obviously, the departure of Task Force Co-Chair Judith Blackwell and the transition to a new OCA Director was a major factor in the delay.) However, we are encouraged by much of the progress that departments have made in the past six months, and hope that the Controller and OCA will continue with stepped-up efforts to bring departments together.

Departments have done a lot of work on the first recommendation. Contract consolidation has been proceeding within the Human Services Agency (HSA), DPH, DYCF and MOCD, and plans are in place to continue implementation. The merger of DHS and DAAS will facilitate contract consolidation within HSA, and some consolidation across departments has occurred.

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| <b>RECOMMENDATION #2: DEVELOP METHODS TO STREAMLINE CONTRACT APPROVALS AND INCREASE AUTOMATION</b> |
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**FY 2003-2004 Implementation Milestones:**

- **The Department of Telecommunications and Information Systems (DTIS) will establish an intranet-based system for use by all City departments that contract with nonprofits. The Office of Contract Administration (OCA) will develop a standard list of compliance documents (501c3 letter, Board list, audit, IRS 990 form, insurance certificates, etc.) that will be available on the system. These will include one insurance certificate to indemnify the City & County of San Francisco as additionally insured. Contractors will submit one set of compliance documents for all City contracts to the Office of Contract Administration for posting to the intranet system. The OCA, in conjunction with the departmental contracting units, will assure that all documents are posted within 2 weeks of receipt.**
- **By mid-year, the Controller will establish policies and procedures for electronic signatures to permit on-line submissions and approvals of required documents. The Controller will explore the feasibility of electronic fund transfers to facilitate payments directly to contractors' bank accounts.**

**FY 2004-2005 Implementation Milestones:**

- **By the beginning of the fiscal year, all compliance documents for nonprofit contractors will be in the system, and departments will use the system whenever it is necessary to check for required documents. Contractors will also be responsible for submitting updated documents to the OCA for timely posting to the system.**
- **Individual departments will develop their own systems for on-line submissions and approvals following the policies established by the Controller (Best Practices: the**

**Department of Children, Youth and Families and the Department of Public Health's COOL system).**

**Review Appellate Panel Goal:**

- **Establish an intranet-based non-profit centralized data repository for use by all City departments that contract with nonprofits by July 1, 2005.**

**OCA:** The Office of Contract Administration did develop a central data depository system utilizing an intranet-based system for use by all City departments that contract with non-profits. However, DTIS determined that intranet file sharing would cause serious security concerns for the City's Internet server. As a result, we are determining how departments can access COOL. One notable achievement, OCA worked with the City's Risk Manager to establish guidelines and procedures to allow non-profits to obtain a blanket insurance certificate from the non-profits insurance underwriter to indemnify the City and County of San Francisco as additionally insured.

**DPH:** DPH has offered its contracts on-line system (COOL) to participating departments as a central data repository for shared nonprofit-related documents. Currently DPH, DCYF, HSA and Controller's Office staff have access and have received an orientation to this system. A standard list of compliance documents (501c3 letter, Board lists, Board Meeting Minutes, audits, IRS 990 forms, insurance certificates, etc.) and program monitoring documents will be posted for use between departments for their shared nonprofit contractors.

**MOCD:** In FY 04-05, MOCD made all RFPs available online. RFP submissions were also moved to an online format. To date, some invoicing has been automated, with further refinements to occur in the coming fiscal year.

**Controller:** The Controller's Office will be implementing a phased upgrade to the City's financial systems, FAMIS/ADPICS, by the end of the calendar year. System enhancements related to streamlining the City's contracting process and information are planned for Spring 2006. A Controller's upgrade working group, comprised of City departments and consultants, is exploring user-friendly methods to capture and link contract data and transactions, from inception of service, through contract award and payments. Providing more information, earlier in the contracting process, should improve the consistency and timeliness of the contract approval processes.

**HSN:** HSN appreciates the recent progress on this recommendation, and applauds DPH for making its COOL system available to HSA and DCYF. We also understand that there have been legitimate factors causing delays. However, the City is still far behind schedule in developing a single citywide central document repository and on-line approval capability, which the Task Force agreed would be in place by FY 04-05. OCA is looking into developing a new online system, and we hope the City will have something in place by the next fiscal year.

Nonprofit contractors believe that the COOL system is useful as an interim strategy, and want to work with the City to increase its effectiveness. Departments are still training staff, and some staff appear resistant to using COOL. Documents need prompt uploading upon receipt to ensure their availability to others. We also suggest that the City train contractors on the COOL system; some contractors continue to send in hard copies because they are uninformed.

In addition, while we appreciate that current efforts are directed at departments with the greatest

number of contracts, nonprofits believe it is time to bring in departments that have not been part of this process and have not been informed about the Task Force objectives (for example the Mayor's Office of Housing, Department of Juvenile Probation). Within DPH, some divisions are moving faster than others, so our experience is erratic.

Finally, we really appreciate the Controller's Office leadership as they work to implement upgrades to the City's financial systems that would track information and streamline contract approvals next year. We also recognize the improvements made by the Human Services Agency through the consolidation of DHS and DAAS.

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| <b>RECOMMENDATION #3: DEVELOP AND PROCESS CONTRACT DOCUMENTS EARLY IN THE CYCLE TO ASSURE TIMELY PAYMENT</b> |
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**FY 2003-2004 Implementation Milestones:**

- **The Board of Supervisors should expedite the approval of “accept and expend” resolutions using the Consent Calendar when notified that a department has applied for grants for health and human services.**
- **By mid-year: the departments should review internal processes to determine systematic delays in the contracting processes. The goal of departmental reviews is to expedite and streamline internal contracting processes and contract payments, in order to ensure that contracts are certified by their start date and paid in a timely fashion.**
- **Second half: the departments will begin to implement policies, procedures and accountability mechanisms, to streamline or expedite internal contracting processes and payments, based on either their internal review or using best practices models from other departments.**
  - **The HSA model uses multi-year contracts and staggers contract renewals so that all contracts are not renewed in the same year. HSA prepares contracts before the fiscal year begins by including fiscal year appropriations in contract modifications prepared mid-fiscal year.**
  - **The DPH model of contingency contracts was presented to the task force as a way to streamline the contracting process. DPH is currently piloting a proposal that builds in a contingency amount into contract budgets that will allow flexibility to anticipate funding changes that are tied to the funding cycle.**

**FY 2004-2005 Implementation Milestones:**

- **Departments will have completed or made significant progress toward implementation of contract certification streamlining.**

**DPH:** Last year the contingency contract model was piloted. The pilot was successful and the contingency contract has been implemented DPH-wide. DPH has developed another contract model – 18 month contract that will be piloted this year. The FY 06-07 goal is to implement 18 month contract model DPH-wide if the pilot is successful.

**HSA:** Ninety-seven percent of HSA contracts were in place by the end of July. HSA's payment schedule is currently averaging 5-7 days. HSA is limiting the number of advance payments, as they are no longer needed.

**DCYF:** DCYF met its performance goal of 100% of contracts certified within the first six months of the fiscal year. Grantees were paid in a timely manner.

**HSN:** This recommendation is of utmost importance to nonprofit contractors, especially given the fiscal climate. Agencies continue to operate for months before contract certification, though some have received advances. Certification and payment delays expose nonprofit agencies to uncertainty and cashflow problems. The City should place an immediate high priority on timely certification and payment, and hold departments accountable to achieving these goals.

Implementation under this objective is erratic. For example, within DPH, CBHS instituted an innovative 18-month contract with a contingency amount in order to bridge the contract certification gap. This pilot was successful, and all DPH divisions recently adopted this model. However, Housing and Urban Health and the AIDS Office require revision and resubmission of all previously submitted invoices, which is a bulky and time-consuming process. (In contrast, CBHS allows for a one-time correction on the next invoice.)

Nonprofits report in particular that the AIDS Office frequently exceeds six months past the first date of service in processing and certifying contracts, creating critical problems for contractors providing services without payment. DPH believes the problem is occasional rather than widespread, and cites a number of circumstances to explain delays. HSN hopes we can work with the City to give special attention to investigating any problems within this division. The Department of Juvenile Probation has also been extremely problematic, but has not been involved in the Task Force or implementation of its reforms.

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| <b>RECOMMENDATION #4: CREATE A REVIEW/APPELLATE PROCESS TO IMPLEMENT AND OVERSEE SUBSTANTIVE CHANGES TO STANDARDIZATION</b> |
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**FY 2003-2004 Implementation Milestones:**

- **The Office of Contract Administration/Department of Administrative Services will be responsible for periodically convening a panel to advise the Board of Supervisors regarding issues related to the Nonprofit Task Force Recommendations. This panel can also be convened at the request of either the departments or a nonprofit contractor. The purpose of the panel is to review, approve or resolve departmental proposals for substantive changes to the standardized policies recommended by the Task Force, and to address any grievances that are unresolved, at the departmental level, regarding procedural issues related to the standardized process.**
  - **The panel will meet on an ad hoc basis, and not less than once per year.**
  - **The panel will be composed of an odd number of people with at least 2 representatives from the departments and at least 2 representatives from nonprofit contracting agencies, recommended by the San Francisco Human Services Network.**
  - **This panel will also oversee the implementation of the task force recommendations. Substantive changes are defined as those that significantly alter the standardized procedures contained in this report.**
  - **The Office of Contract Administration is responsible for submitting an annual report from the panel to the Board of Supervisors.**

- **City departments that contract with nonprofit providers for health and human services will establish a formal grievance procedure for contractors to address contract-related issues that have not been resolved administratively at the departmental level.**

**FY 2004-2005 Implementation Milestones:**

- **All City departments that contract with nonprofit providers for health and human services will incorporate the grievance procedure into their contract boilerplate during this fiscal year.**
- **The Board of Supervisors will review the implementation of the Nonprofit Contracting Task Force recommendations via reports from the review panel and public hearings held twice per year.**

**OCA:** The non-profit review/appellate panel meets every fourth Monday at 2:30 p.m. in City Hall Room 421. As mentioned in the introductory paragraph, the panel's primary focus has been to oversee the implementation of the task force recommendations. Additionally, the panel is in the process of finalizing formal grievance procedures for contractors to address contract-related issues that have not been resolved administratively at the department level.

**HSN:** OCA created the Review / Appellate Panel with City and nonprofit representation in January 2005. In its oversight role, the Panel has made a tremendous difference in ensuring that City departments continue to move forward with implementation and to communicate across departments to share ideas and standardize processes.

Members of the Panel agreed to focus first on implementation, but nonprofit representatives look forward to expanding its role as envisioned in the July 2003 report of the City Nonprofit Contracting Task Force. The Panel has an ongoing charge "to review, approve or resolve departmental proposals for substantive changes to standardized policies recommended by the Task Force, and any grievances unresolved at the Department level regarding issues related to the standardized procedures". Because the City only recently began to make progress with cross-department standardization, this aspect of the Panel's function seems like a foreign concept at this point. Discussions about department policies sometimes bog down in detail, and nonprofits believe that some resistance to change persists. Though the Panel can serve as a discussion forum that could lead to alternative resolution of problems, nonprofit agency members on the panel are disappointed that this does not represent our original understanding. We are still hopeful that the Panel can create a process under which departments would have some accountability to a negotiated agreement to comply with specific policies based on the Board-adopted Task Force recommendations.

This recommendation also calls on departments to establish a formal grievance procedure and incorporate it into their contract boilerplates by FY 04-05. Many departments do not have a grievance procedure. OCA and the Review / Appellate Panel are now developing a recommended template for departments that will soon be complete.

**RECOMMENDATION #5: ELIMINATE UNNECESSARY REQUIREMENTS IMPOSED ON CONTRACTORS**

**FY 2003-2004 Implementation Milestones:**

- **All City departments will review their policies to ensure that unnecessary requirements, which exceed funding source requirements, will not be arbitrarily imposed on nonprofit contractors and are consistent with current funding and compliance requirements.**

**Controller, DPH, HSA, DCYF, OCA:** The Controller's Office has developed new policies and procedures to streamline monitoring of jointly funded contractors working with DPH, DCYF and HSA. These policies and procedures eliminate duplication of effort across departments and minimize site visits for contractors that hold multiple contracts with the City. Nonprofits contracting with two or more City departments will receive one standard fiscal & compliance site visit (or self-assessment) during a given year, and the results of this visit will be shared among other departments contracting with that agency.

The Controller's Office and OCA have been working with DPH to create a centralized Nonprofit Data Repository on DPH's COOL system. All standard monitoring forms and related documents (e.g., articles & bylaws, audited financial statements, board rosters, insurance documents, 990 tax forms, etc.) for shared contractors will be posted on COOL. Departments can retrieve monitoring-related documents directly from COOL, so that contractors do not receive multiple requests for such documents.

**MOCD:** MOCD is currently in the process of eliminating a departmental procedure that requires a member of their board of directors to sign all monthly invoices. However, this deletion will not apply to cases that involve documented irregularities. Deletion of this requirement must be made through changes to the MOCD database and that task is not yet complete.

**HSN:** It has been a challenge to identify violations of this recommendation and to investigate or remedy them. The Task Force report defines unnecessary requirements as those that exceed the requirements of the funding source. In other words, contracts should include only what federal, state and local laws and regulations require, as well as agreed upon standards of care, without the imposition of arbitrary requirements.

Our consistent experience has been that while department heads and leaders usually agree with such recommended changes, middle managers frequently interfere with their implementation. Departments often request or demand information that goes beyond legal requirements, sometimes based on departmental policy and sometimes arbitrarily by contract managers; contractors generally feel they must comply to avoid delays in contract certification or payment. Nonprofits have reported some examples (e.g. the AIDS Office invoicing noted in #3 above; the MOCD policy requiring Board members to sign off on invoices), and these conversations have led to positive outcomes in some cases. Overall, our experience is that when departments are confronted about extraneous requirements, they have sought to defend them, setting up a "one bad rule at a time" challenge for nonprofits seeking to streamline. We believe the onus should be on departments to focus on outcomes rather than processes, and that department heads need to play a role in mandating this philosophy from the top down. This is one area where the Review / Appellate Panel could play a major role, but only if departments are willing to honor the Panel's decisions.

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| <b>RECOMMENDATION #6: DEVELOP METHODS TO FACILITATE ELECTRONIC PROCESSING OF CONTRACTS AND PAYMENTS</b> |
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**FY 2003-2004 Implementation Milestones:**

- **Departments to review contracting processes, in order to determine areas that would benefit from electronic processes for reporting, monitoring and payment.**
  - **Best Practices – The Department of Children, Youth and Families uses a contracting system that incorporates electronic processes.**
  - **Best Practices – The Department of Human Services accepts electronic invoices via FAX or email.**
  - **Best Practices – The Department of Health has begun using an on-line contracting system (COOL).**
  
- **Office of Contract Administration/Administrative Services to facilitate electronic contracting processes that would benefit City departments.**
  - **Review the City’s purchasing/contracting system (APDICS) and/or other contracting procedures to facilitate the integration of electronic processes into OCA contracting procedures, whenever possible.**
  - **Facilitate the implementation of the DPH on-line contracting system (COOL) to automate contract processing between DPH and OCA. This will enable timely processing of contracts and streamline the contract certification process.**
  
- **Controller’s Office to develop policies to facilitate electronic invoicing.**
  - **Review and revise accounting and post-audit procedures to facilitate electronic processes whenever possible.**

**Review Appellate Panel Goal:**

- **Electronic invoicing is a feature that will be available with the ADPICS/FAMIS upgrades that is scheduled to be launched in September 2006.**

**DPH:** DPH reviewed options for electronic invoicing with Controller and DPH staff. DPH will implement electronic invoicing once FAMIS/ADPICS is upgraded by the Controller’s Office.

**HSA:** HSA has been facilitating the electronic submission of invoices and most contract-related documents.

**DCYF:** DCYF continues to use its Contract Management System (CMS) to develop work plans and approve invoices. In addition, the CMS has been upgraded to allow grantees to generate useful reports to assist them in the delivery of services.

**MOCD:** Electronic processing of payment has begun. A number of agencies have received their payments electronically. MOCD is working with agencies that, for a variety of reasons, have not been able to successfully accomplishment this objective.

**Controller:** The Controller’s upgrade to FAMIS/ADPICS will enable a pilot program for electronic payments by Summer 2006.

Additionally, the Controller's Office is currently pilot testing a new Vendor Payment Information Website, which allows vendors and members of the public to look up information regarding vendor payments by department, by material, service type, or by vendor name.

**HSN:** The Controller's Office is spearheading the process to develop electronic invoicing and payments through upgrades that should be complete by next summer. In the meantime, departments have made some progress with information sharing through the DPH COOL system with HSA and DCYF, electronic contract processing and online approvals for DPH and DCYF, and electronic payment processing in MOCD.

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| <b>RECOMMENDATION #7: CREATE STANDARDIZED AND SIMPLIFIED CONTRACT FORMS</b> |
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**FY 2003-2004 Implementation Milestones:**

- **DPH to complete standardization of and processes for electronic submission of: (1) Exhibit A Narratives, (2) Exhibit B Budget Pages, (3) Invoices, and (4) Monitoring Protocols, within and among CBHS, the AIDS Office, HUH and, where possible, the CHN.**

**FY 2004-2005 Implementation Milestones:**

- **The Controller's Office to convene a meeting of appropriate City departments (HSA, DAAS, DCYF, MOCD, etc.) to review DPH model forms and propose areas to standardize where possible and feasible.**

**FY 2005-2006 Implementation Milestones:**

- **The resulting forms will be standardized across departments.**

**Controller, DPH, HSA, DCYF:** In April of 2005, the Controller's Office convened an inter-departmental working group of key personnel from DCYF, HSA and DPH to review, simplify and standardize current contract monitoring forms and procedures for jointly funded contractors. After meeting regularly from April to July, this group developed Standard Fiscal & Compliance Monitoring Procedures and a Standard Fiscal & Compliance Monitoring Form. These new procedures and forms were pilot tested in July 2005 with four current nonprofit contractors (Catholic Charities, Children's Council, Homeless Prenatal Program, and Project Open Hand), and have been adopted for use in FY2006 for monitoring of shared contractors among DCYF, HSA and DPH (see Recommendations 9-12 for more details). In addition, The Controller's Office is working with DPH and HSA in order to develop standardized program monitoring tools at the departmental level.

**HSN:** The City is one to two years behind the original timeline in implementing this recommendation, and there is still a tremendous amount of work to do. However, DPH has worked hard and made significant progress on standardizing forms within most areas of their department. In the last six months, the Controller's Office has convened a working group to standardize and simplify monitoring forms, and DPH, DCYF and HSA are participating in this process.

**RECOMMENDATION #8: ESTABLISH ACCOUNTING STANDARDS FOR NONPROFIT CONTRACTORS**

**FY 2003-2004 Implementation Milestones:**

- **Controller's Office to complete a *Finance Guide for City Contractors*. Guide will include recommendation that all CBO's have an independent annual audit. The guide will set accounting standards that are acceptable to all City departments.**
- **Controller to distribute *Finance Guide for City Contractors* to departments to assist in the process of standardizing fiscal monitoring in the City.**
- **Departments should adopt above report as part of fiscal monitoring procedures.**

**Controller:** The Controller's Office has published and disseminated a *Finance Guide for Nonprofits* in November of 2004 and provided two training sessions on the *Finance Guide* for approximately 70 nonprofit contractors in April 2005. In June of 2005, the Controller's Office coordinated another training session on cost allocation procedures, which was attended by over 100 nonprofits. As a follow up to this training, and to further clarify the City's expectations regarding cost allocation practices, the Controller's Office has developed written cost allocation guidelines for nonprofits contracting with the City. The *Cost Allocation Guidelines*, the *Finance Guide* and all related materials from these trainings are available online at [www.sfgov/controller](http://www.sfgov/controller) (see *Resources for Nonprofits*).

**HSN:** The Controller's Office did this... and did it well! The staff has also taken the initiative to create a training series for nonprofit contractors, with excellent reviews from participants.

**RECOMMENDATION #9: COORDINATE JOINT PROGRAM MONITORING, WHENEVER POSSIBLE.**

**FY 2003-2004 Implementation Milestones:**

- **Departments will provide timely written notice of at least 14 days prior to the monitoring visit date as well as a timely written report regarding the results of the monitoring visit to the contractor within 30 days, if possible, but not beyond 90 days. If the program report is not completed within 30 days, then the department conducting the monitoring will issue a notice indicating that the program report was not completed as scheduled.**
- **Office of Contracts Administration develops a centralized system for access to real-time information by contractor, by department, by contact name and number, and log dates of departmental program and fiscal monitoring to facilitate joint program and fiscal monitoring.**
- **Departments will waive or modify site-monitoring reviews if audits or site monitoring by other regulatory agencies address, meet or exceed the department's site monitoring review objectives.**

**FY 2004-2005 Implementation Milestones:**

- **Departments will utilize this system by the commencement of FY 04-05. Departments will have access to and use other departments' programmatic and fiscal monitoring reports and may accept the review of other departments.**

**Review Appellate Panel Goal:**

- In collaboration with the Controller's City Service Auditor, develop a test joint monitoring program by July 1, 2005.

**Controller, DPH, HSA, DCYF:** In July of 2005, the Controller's Office led a pilot test of newly streamlined contract monitoring procedures for select nonprofit contractors with joint funding among DCYF, HSA and DPH. The pilot test confirmed the reasonableness of adopting a standardized approach for monitoring fiscal and compliance related elements of shared contractors. It further demonstrated that monitoring of program outcomes was less conducive to a standardized process, as it requires content expertise specific to each department or division. The inter-departmental working group determined that nonprofits with one or more City contracts among DCYF, HSA and DPH will receive one standard fiscal & compliance site visit in FY2006, and the results of this visit will be shared among the other departments contracting with that nonprofit. Whenever possible, program-related site visits will occur on the same day as the fiscal & compliance site visits. However, if this arrangement would result in an undue administrative burden for the contractor, separate program related site visits may be conducted and must be completed within two weeks of the fiscal & compliance site visit.

Coordination of joint monitoring processes within and among departments will be assisted by a master calendar, shared access to DPH's COOL system for document sharing, and monthly inter-departmental meetings of contract monitoring personnel facilitated by the Controller's Office. The working group is responsible for determining the level of monitoring for shared contractors, identifying lead department staff for each contractor, scheduling site visits in the master calendar, reviewing joint monitoring results, revising procedures as needed, ensuring the workload is shared equitably, and other coordination activities.

**HSN:** Recommendations 9-12 are all related. They are all behind in their implementation, but thanks to the leadership of the Controller's Office, they are finally moving forward. DPH (including representatives from each division), DHS and DYCF have spent numerous hours working with the Controller's staff to design, plan and coordinate this effort.

Recommendation 9 is very complex, and we appreciate the effort by all departments in the recent pilot tests. We are also encouraged by the incorporation of monitoring information into the online document system. HSN is concerned about resistance by mid-level department staff. Success will require the commitment of all involved.

**RECOMMENDATION #10: DEVELOP STANDARD MONITORING PROTOCOLS, LANGUAGE AND DEFINITIONS TO MORE CLEARLY DEFINE CONTRACT REQUIREMENTS**

**FY 2003-2004 Implementation Milestones:**

- **Each department (and divisions within departments) will work with representative groups of providers to develop standards of care or service for each type of service the department provides, whether through the City or contracted programs. Departments will coordinate standards of care with other departments as appropriate. These standards of care will include minimum expectations, goals and guidelines for each service, and once**

completed, will be submitted to the department's policy body (commission, planning council, etc.) for approval by June 30, 2004.

- Each City department will adopt the standards developed by the Controller's Office (See Recommendation #4, Milestone #2 - *Finance Guidelines for City Contractors*) as a fiscal monitoring guideline.
- Each department will work with providers to develop standard program monitoring protocols that focus exclusively on the assessment of the contract's deliverables and outcome objectives, and adherence to the standards of care for that service.

**FY 2004-2005 Implementation Miles:**

- The accounting standards, standards of care, and program monitoring protocols will be distributed to all service programs (City or contract) with the contract/interdepartmental MOU documents for FY 2004-05, and these standards and protocols will constitute the criteria for evaluation in program and fiscal monitoring of City and contracted programs during FY 2004-05.
- Departments that provide health and human services will meet to develop one standard program monitoring protocol for all contracted or City-staffed human services that focus on evaluation of a program's deliverables, outcomes and adherence to standards of care.

**Review Appellate Panel Goal:**

- **Each City department will create a plan with a timetable for the development of standard monitoring procedures by September 1, 2005.**

**Controller, DPH, HSA, DCYF:** The Controller's Office developed and disseminated standard fiscal and compliance monitoring forms, policies and procedures in addition to the *Finance Guide for Nonprofits* (see Recommendation 8 for more details). The Controller's Office is also providing ongoing support to DPH and HSA in their efforts to develop standardized program monitoring protocols (forms, reports, etc.) focused on outcomes.

**DPH:** DPH is developing joint monitoring procedures and protocols for DPH only contracts.

**HSN:** See comments on #9 above. The Controller's Office and departments are working together on this, but have not achieved the FY 03-04 milestone to develop standards of care in consultation with nonprofit service providers. Nonprofits hope to see more progress on this recommendation in the next six months.

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| <p><b>RECOMMENDATION #11: PROVIDE TRAINING FOR PERSONNEL WHO MONITOR CONTRACTS TO ENSURE ADEQUATE KNOWLEDGE AND UNDERSTANDING OF PROGRAMS AND SERVICES</b></p> |
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**FY 2003-2004 Implementation Milestones:**

- All staff that are responsible for programmatic monitoring will schedule and conduct on-site program orientations with the individual nonprofits, in order to more fully understand programs and services.
- Each City department will develop a training program for department staff and community members who monitor programs (programmatic or fiscal, on-site or off-site

review) in order to ensure adequate knowledge of monitoring protocols, including previously negotiated criteria for contract evaluation and any new protocols that result from this report. This training program will be implemented in FY04-05 and annually thereafter.

- Each City department will establish a procedure to solicit formal feedback from contracting agencies regarding monitoring processes and the ongoing coordination of services. This procedure will include a written report submitted annually to the appropriate commission or body on the outcomes and actions the department deems appropriate to correct any identified problems or concerns.

**Controller, DPH, HSA, DCYF:** The Controller's Office, in collaboration with staff from DCYF, HSA and DPH, developed a formal, written, comprehensive set of instructions, as part of the implementation of the new standard fiscal & compliance monitoring procedures. These instructions were presented in a joint training for departmental staff on September 22, 2005. Financial auditors from the Controller's Office will provide follow-up support and training as needed during this pilot year. Knowledge and understanding of programs will also be enhanced through information shared at the monthly inter-departmental meetings, at which contract monitors will discuss monitoring results and contracted services.

**HSN:** See comments on #9 above. The joint monitoring pilot tests brought out the lack of training as a major deficiency. However, the Controller and departments are developing protocols and training materials, and the Controller's Office is now conducting training sessions. We appreciate the significant amount of preparation, planning and implementation time that the involved departments are putting into this.

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| <b>RECOMMENDATION #12: CONDUCT TIERED ASSESSMENT OF PROGRAMS TO MORE EFFICIENTLY EVALUATE PROGRAM PERFORMANCE</b> |
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**FY 2003-2004 Implementation Milestones:**

- The Office of Contract Administration will convene a working group of City departments to develop a tiered assessment tool to facilitate the implementation of multi-tiered monitoring. A significant portion of the tiered assessment tool will be based on information provided by each contractor. This assessment will cover areas such as:
  - Agency Leadership: e.g. longevity of board and executive staff, capacity of board, etc.
  - Experience: e.g. length of contract provision and years of experience in service categories
  - Performance: e.g. previous outcomes, program monitoring results, timely reporting
  - Management Disclosure: e.g. report of audit findings, lawsuits
  - Financial Management: independent audit results, audited financial statements, 990 tax form
- Those programs with consistently high performance will participate in a minimized monitoring process. Those programs with moderate performance will participate in a standard monitoring process. Those programs with lower performance will participate in a more extensive monitoring process designed to provide additional technical assistance to support program improvement.

- **City departments will conduct an internal assessment of technical resources, including personnel with special qualifications or trainings, models of best practices, and funds for technical assistance grants. This assessment will be useful in the allocation of departmental resources that could be better utilized to improve services.**
- **Each City department will utilize the tiered assessment tool to conduct an annual evaluation of each program based on their contract requirements. This evaluation, as demonstrated by submitted documentation or criteria, will be posted on the OCA website to provide all departments with information on contractor performance.**

**FY 2004-2005 Implementation Milestones:**

- **Departments will implement tiered monitoring of programs based on past performance. In the event that an assessment identifies challenges faced by the program/agency, all appropriate departments will coordinate a citywide response to provide technical assistance with the goal of stabilizing and improving services**

**Review Appellate Panel Goal:**

- The Review Appellate panel will review the final Tiered/Assessment Plan by July 1, 2005.

**Controller, DPH, HSA, DCYF:** In assigning joint monitoring site visits for FY 2006, the inter-departmental working group, led by the Controller's Office, considered the criteria identified by the task force, including contractor performance, management disclosure and financial management. As a result of the assessment conducted by the working group, nonprofit contractors with one or more City contracts among DCYF, HSA and DPH will either receive a standard fiscal & compliance site visit in FY2006, or be asked to self-report on their performance. The working group will meet in September of each year (as part of its monthly schedule) to determine the type of monitoring required for each shared contractor.

**HSN:** See comments on #9 above. This recommendation is part of the Controller's Office workplan. Departments are using criteria to determine joint monitoring priorities, and some departments are using them internally. HSN is unsure of the extent to which the City has formalized and standardized the process and criteria. We believe it would be helpful for departments to assist nonprofit contractors in understanding the criteria and to inform them about the City's assessment of their agency. We hope this will be a high priority in the next six months.

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| <b>RECOMMENDATION #13: FUND ANNUAL COST OF LIVING INCREASES FOR NONPROFIT CONTRACTORS</b> |
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**FY 2003-2004 Implementation Milestones:**

- **Begin a dialogue between the nonprofit community and the City to fully understand the issues related to the on-going wage disparity between City and nonprofit staff and develop a plan to address these issues.**

**FY 2004-2005 Implementation Milestones:**

- **Provide adequate funding for cost of living increases (COLA) for nonprofit contractors staff equal to the salary increase for comparable City positions, regardless of funding source. Continue to fund COLA's each year for nonprofit contractors equivalent to the percentage increase in civil service salaries.**

- **Provide departments with adequate funding for inflationary costs of doing business with nonprofit contractors, for administrative and operating expenses. This standard should be maintained in the future.**

A 2% COLA has been given to grantees as instructed by the Mayor's Budget Office. An ordinance to raise the MCO wages to \$10.50 plus a CPI increase is currently being introduced.

**HSN:** HSN and its member agencies are thankful to the Mayor for this year's 2% increase in general fund contracts, which is precedent-setting in giving cost-of-doing-business increases for the first time. (However, we do hope the Board of Supervisors understands that the increase did not apply to grant funds such as Ryan White CARE Act funds, leaving many programs with ongoing flat funding.) We also appreciate the Board for setting aside funds to pay for a proposed increase under the Minimum Compensation Ordinance to \$10.50 per hour for nonprofit workers.

The costs of doing business have become prohibitive, and we would like to see a fully researched assessment of the actual and rising costs. Many contractors do not show true costs in their contracts because they have been discouraged from doing so (or even told not to), instead "matching" stated costs to available revenues. Capped indirect and benefit rates also prevent contracts from reflecting actual costs. The Controller's Office and contractors need to work together to develop a methodology that will measure the real increases in nonprofits' business costs.

Twice in two years, issues have arisen regarding indirect rates and rate caps for nonprofit contractors. We believe that indirect rates should not be uniform and should reflect actual expenses. Contractors with a high rate should receive technical assistance rather than an arbitrary cap. Disparity within and between departments is especially challenging for nonprofits with multiple contracts. Disagreements also arise regarding cost allocation. We urge the Controller's Office to take the lead in developing a citywide indirect rate policy based on standardized methodologies rather than standardized rates.

Contractors have also had an extraordinarily difficult time attempting to recoup (or even state) their actual cost of employee benefits, because the City arbitrarily caps it at 25% of salaries – while at the same time mandating a totally employer-paid health insurance benefit. The City's 25% cap is a benchmark that has been in place for over a decade, and it needs revision. Indeed, contractors find this practice unfair when the City itself has a higher rate.

In sum, the need is greater than ever for a formal dialogue between the City and its nonprofit contractors to fully understand these issues and develop a plan to address them.