

Nonprofit Contracting

Report of the 2000-2001 San Francisco Civil Grand Jury

SUMMARY

The Civil Grand Jury (CGJ) reviewed contracting procedures at the Department of Public Health, the Department of Human Services, and the Mayor's Office of Community Development. The City and County of San Francisco appears to be efficient and effective in administering contracts awarded to nonprofit organizations to provide health and human services to its residents. However, the systems in place are too decentralized and place administrative burdens on nonprofit organizations.

To improve the system for awarding and administering contracts, the CGJ recommends that:

The City establish an annual certification process that enables a nonprofit organization to contract with the City.

A central location be established for commonly required documentation that can be shared by all City departments.

Standard formats and reporting forms be used for all contracts, requests for proposals, and other similar documents. Additionally, the CGJ recommends that organizations be able to file reports electronically.

The Controller's Office establish performance standards for timely payment of invoices submitted by nonprofit organizations.

The Department of Administrative Services develop a master list identifying each contract that is awarded to nonprofit organizations. The CGJ further recommends that this list be updated in real-time, but no later than quarterly.

The Controller's Office re-establish the working group established to review contracting procedures for awarding and administering contracts with nonprofit organizations.

BACKGROUND

Each year the City and County of San Francisco issues hundreds of millions of dollars in contracts to organizations to provide health and human services to its residents. The nature of community service organizations including limited resources, investment in direct services versus administrative services, and often a lack of fiscal management experience, raised the question of how well these organizations administer their programs and what processes city departments implement to assure contract compliance from a fiscal accountability perspective.

The CGJ reviewed how these contracts are awarded, monitored and evaluated. The CGJ investigated if the process that the several City departments use is effective and fair to the organizations that apply for and are awarded contracts.

The CGJ conducted interviews with senior level staff and reviewed materials provided by the Controller's Office, the Human Services Department, the Health Department, and the Mayor's Office of Community Development's Community Development Block Grant Program.

FINDINGS

Each department interviewed has established procedures and safeguards.

Award decisions are primarily decided by independent scoring panels or outside consultants. The process for awarding contracts is open; any eligible organization may apply. Requests For Proposals are widely announced through direct mail and public announcements. Organizations which are awarded contracts undergo program and fiscal reviews. Organizations not complying with the terms of a contract are reviewed for possible revocation of that contract.

Each department reviewed offers technical assistance as needed to help an organization comply with the terms of a contract.

Each of the three departments restricts how funds can be used. Contractors normally are reimbursed only for actual expenses incurred. The departments interviewed have incorporated federal guidelines into their policies and procedures.

Consumer complaints are investigated. Each department has procedures in place for investigating all complaints they receive.

Nonprofit organizations are required to file financial disclosures. A centralized system for recording financial disclosures has been established within the Department of Administrative Services. However, a nonprofit organization may be required to submit multiple copies of the same information (for instance, tax and insurance information) for each contract that they apply for or that they are awarded. Currently, other than for financial disclosures, it is very difficult to locate this public information regarding an agency's contracts because the information is decentralized.

Each department interviewed has procedures in place for awarding, monitoring and administering contracts. The procedures vary widely from each department, and an organization may have contracts with several departments. Information regarding organizations and contracts is not effectively shared between departments. Having a centralized system would allow greater access to information and greater public accountability. A nonprofit organization should be able to file the required documentation and then have the information shared by all involved departments through an Intranet operation. Using standard procedures, contracts, and electronic filing, at least for funds drawn from the City General Fund, would greatly help to ease the administrative burdens of organizations. Some federal programs have differing report format requirements, which would make standardization more difficult for funds from these sources.

A master list should be developed that categorizes contract information by organization, so one could easily determine the number, type and total contract amount awarded to each nonprofit organization by all departments.

The Controller's Office should establish performance standards for timely payment of invoices submitted by nonprofit organizations. Currently, a nonprofit organization may have to wait an extended period of time to be reimbursed for expenditures. Forcing an organization to wait extended periods of time has the potential to jeopardize the financial stability of smaller organizations.

In 1998, a working group of contract administrators had been convened to review possible actions to improve contract administration for nonprofit organizations. The working group has not met for at least one year, and several of the working group

recommendations have yet to be reviewed for implementation. The working group should be re-established to review contracting procedures for awarding and administering contracts with nonprofit organizations.

RECOMMENDATIONS

The three departments reviewed appear to do an adequate job of administering contracts awarded to nonprofit organizations to provide health and human services to San Francisco residents.

To improve the system for awarding and administering contracts, the CGJ recommends that:

1. The City establish an annual certification process that enables a nonprofit organization to contract with the City. The CGJ further recommends that this certification should enable a nonprofit organization to have to submit required financial, insurance and legal forms once per year, and that a central location be established for commonly required documentation that can be shared by all City departments.

Required Response

Department of Administrative Services - 60 Days

Purchasing Department - 60 Days

2. Standard formats and reporting forms be used for all invoices, contracts, requests for proposals, budgets, and other similar documents, particularly for funds drawn from the City General Fund. Additionally, the CGJ recommends that nonprofit organizations be able to file reports electronically.

Required Response

Controller

Department of Administrative Services - 60 Days

Purchasing Department - 60 Days

3. Nonprofit organizations receive their funding within 30 days from submitting accurate invoices.

Required Response

Controller - 60 Days

4. The Department of Administrative Services develop a master list identifying each contract that is awarded to nonprofit

organizations. The CGJ further recommends that the list be updated in real-time, but no later than quarterly.

Required Response

Department of Administrative Services - 60 Days

Purchasing Department - 60 Days

5. The City re-establish and maintain the working group established to review contracting procedures for awarding and administering contracts with nonprofit organizations.

Required Response

Controller - 60 Days

Department of Administrative Services - 60 Days

Purchasing Department - 60 Days