



Executive Directive 24-04

Nonprofit Grant Administration Reform

September 3, 2024

The City and County of San Francisco (City) coordinates with a large number of community partners, including nonprofit organizations, to provide critical services and support to the many communities in San Francisco. The City provides grants to organizations to serve the public good, including grants to beautify the City; provide job training and small business assistance; offer housing, food, medical care, and services to people in need; revitalize neighborhoods that are still recovering from the impacts of the COVID pandemic; and ensure the long-term sustainability of community-serving entities. The organizations that receive grants from the City do extraordinary, difficult work and are vital partners in making San Francisco a wonderful, welcoming, and supportive place to live.

In recent years, the City has enacted ordinances regulating grants, including Administrative Code Chapter 21G governing the award of grants, and more recently Administrative Code Section 10.6-1 requiring additional nonprofit monitoring. These ordinances create important legal guardrails—but legal rules alone are not enough. Departments must ensure that every grant complies with those laws, that the grant award process is fair and unbiased, that all grants include clear and objective deliverables, and that departments provide sufficient oversight and scrutiny to make sure residents of the City are getting the benefits of grant-funded services and programs. We have a responsibility to guard City funds and to ensure they are used wisely and efficiently to serve the people of San Francisco.

In recent years, we have discovered that a small minority of City grantees have misused grant funds, sought reimbursement for improper activities, failed to pay their workers the wages and benefits they were due, and in some cases engaged in self-dealing. The overwhelming majority of grantees serve the public with ethics and integrity, but City departments must be vigilant to guarantee that appropriate procedures are followed and the City does not spend funds on inappropriate purposes.

This directive implements policies to standardize practices across departments, provide fair processes for selecting grantees, guide departments in monitoring grantee performance, and retain records to allow for effective audits and investigations.

Directive:

Through this Executive Directive, I direct that departments complete the following, effective immediately unless a specific date is stated below:

1. **Compliance with Controller’s Standards:** Administrative Code Section 10.6-1 requires the Controller to adopt Citywide standards for agreements with nonprofit organizations, including (1) requirements that contracts with nonprofit organizations include performance measures; (2) guidance for how departments should engage contractors in the development and monitoring of such measures; (3) regular financial and performance reporting requirements applicable to nonprofits; (4) standard reporting timeframes and expected elements for ongoing departmental monitoring of nonprofits; (5) a process departments must follow when entering into and managing their contracts with nonprofits and reporting monitoring results to the Controller; and (6) recommendations for departments with the goal of making it easier for nonprofits to do business with the City. Beginning November 1, 2024, all departments must ensure that any staff that is involved with the grant solicitation process, grant agreement preparation, or grant performance monitoring is familiar with, and complies with, the Controller’s standards.
2. **Documentation:** Departments must provide grantees written instructions about the City’s expectations for the content and timeliness of invoices or other requests for payment, following guidance from the Controller’s Office about appropriate standards.
3. **Advance Payments:** Any department making payment with City funds to a grantee in advance of the grantee performing work and submitting an invoice must follow the procedures in the Controller’s Accounting Policy and Procedures.
4. **Screening for Conflicts of Interest:** By September 30, 2024, the City Administrator, in consultation with the City Attorney’s Office, must prepare a model policy setting guidelines on how to implement a Conflict of Interest Policy for conflicts of interest on grant selection panels for all departments. The purpose of the policy will be to ensure that City employees and third parties who serve on grant selection panels have no financial connection to the organizations seeking the grants, do not serve on the board of directors or advisory board of any such organizations, and have no relationships that would prevent them from exercising fair and impartial judgment.
5. **Record Retention:** Departments must retain records related to the selection process—including selection scoresheets, rosters of panelist names, dates of panel meetings, and any records related to conflict checks—for either the life of the agreement or a shorter period established in the departments’ record retention policy.
6. **Sole Source Grants:** Chapter 21G allows departments to award sole source grants without a competitive solicitation for specified reasons, including where the department awards the grant “to a specific entity as required to comply with applicable law or contract, or as a result of the requirements of the funding source.” (Administrative Code § 21G.3(a)(2).) Departments typically rely on this exception when they seek funding jointly with qualified non-profit organizations. To ensure the selection of nonprofit partners is fair, the City Administrator, in consultation with the City Attorney, will develop written criteria by December 31, 2024 that departments may use when selecting nonprofit partners in these situations, and departments must follow those criteria before selecting an organization to list as a project partner in a funding application.

7. **Record-Keeping in the PeopleSoft System:** To improve the City's recordkeeping, departments must upload to the City's PeopleSoft system copies of any grant agreements executed or amended by the departments on or after September 15, 2024.

8. **Fiscal Sponsorship:** To provide uniform standards for the use of fiscal sponsors and fiscal intermediaries in grant agreements, the Controller must provide written guidance regarding standards for agreements with those entities, and standards or minimum qualifications for selection of those entities. The Controller must also provide written guidance for how departments should conduct fiscal and performance monitoring and oversight to ensure appropriate use of public funds by fiscal sponsors and fiscal intermediaries as well as their sponsored programs or recipients. The Controller must begin preparing this guidance immediately and issue it to departments by February 15, 2025.

This Executive Directive takes effect immediately and will remain in place unless and until rescinded by future written communication from the Mayor.

London N. Breed
Mayor, City and County of San Francisco