TODAY’S OVERVIEW

- BHS, RFP’s, and the Budget Office
  - Michelle Ruggels
- Remarks from the Director
  - Barbara Garcia
- San Francisco Health Network
  - Roland Pickens
- Business Office of Contract Compliance
  - Debra Solomon
- Office of Compliance & Privacy Affairs
  - Maggie Rykowski/Kim Oka
- Contract Development & Technical Assistance
  - Michelle Long
- Office of Contract Management & Compliance
  - Jacquie Hale
FY17-18: BEHAVIORAL HEALTH SERVICES ONLY

Michelle Ruggels
Director of DPH Business Office
Michelle.Ruggels@sfdph.org
FY17-18: BEHAVIORAL HEALTH SERVICES ONLY

- Contracting Challenges and Tools
- Appendices
- CO DB Calculations and Allocations
- Cost Report/Invoice
  - Invoice Payment Change
  - Boiler Plate Language Addition
  - Management Audit of all Behavioral Health Services
To address the complexity of BHS contracting in FY17-18, we are doing some things differently, with the overriding goal to maintain cash flow.

Overview of Challenges:

• Transition Year: Most current BHS contracts end on December 31, 2017 and can’t be extended through June 30, 2017 (to cover the full FY17-18 fiscal year). Thus, most BHS contractors will be required to submit two separate contracts to cover services previously funded in a single contract. In other words, a new contract must be developed for the balance of FY17-18 if services are continuing through June.

• The majority of BHS services have been or will be part of a solicitation(s), either issued in FY16-17 or issued this year. All services are to be effective no later than 1/1/18. However, while the results of many solicitations have been determined, this is not true for all service categories.

• Contracts with a term of over 10 years, or with funding that will exceed $10 million dollars in spending over the contract term will require approval by the Board of Supervisors (BOS). The BOS requires the submission of a certified contract prior to approval and retroactive approvals are not guaranteed to be approved.
Please See the document “Understanding the FY17-18 BHS Funding Notification Letters and FY17-18 Contract Transitions” for answers to common questions.

In FY17-18, please review your Funding Notification (FN) letter content, i.e. detail pages carefully to understand how many sets of contracts/appendices will be needed in FY17-18. FN Letters are much more complicated this year. If you haven’t received one yet, it is coming!! Please note:

- A unique CMS/FSP #s is used to identify unique contracts, and will tell you whether you have to submit one (Contract 1) or two (Contract 1 and Contract 2) contracts to cover all 12 months of FY17-18.

- Each unique contract will have its own detail page. Pay attention to the services listed in each detail page. Some services previously in Contract 1, i.e. ongoing non-expiring services, will move to Contract 2 to retain cash flow. The detail pages will indicate the service dates contained for each program in each contract.

- If your Contract 1 isn’t expiring, or if your newly solicited services have a July 1 effective date, then you are likely only going to need to do one contract.
NEW CONTRACTS AND FY17-18 AND FY18-19 APPENDICES SUBMISSION REQUIREMENT

• Traditionally, while BHS may develop a contract with a multi-year term, e.g. five years, contractors only provide appendices covering the current fiscal year, i.e. an Appendix A (narrative), and Appendix B (budget) for FY17-18 only. In FY17-18, however, BHS is requesting one set of appendices for FY17-18, and a completely separate set of appendices for FY18-19. Why Both?
  • Some new contracts won’t start until January 1, 2018, so we would immediately be turning around to begin work on the FY18-19 contract.
  • The Mayor has determined the CODB allocation for both FY17-18 and FY18-19 which means DPH is able to determine contractor allocations for both years. As such, this may even prevent the need for a FY18-19 modification!
  • Some new contracts are going to require approval by the Board of Supervisors (BOS) to occur in FY17-18. By also requesting FY18-19 appendices, we will have an approved contract with annualized funding detail, which will prepare us to seek BOS approval in a timely manner.
  • An annualized Appendix B (budget) will facilitate the development of initial payment projections.
The Mayor allocated a five percent CODB funding allocation to be divided evenly between FY17-18 and FY18-19. The allocation was determined based on eligible funding sources at FY16-17 funding levels. DPH staff will apply this criteria at the contract level to determine individual CODB allocations, while also taking into account the impact and timing of solicitations.

- Funding awarded as the result of a solicitation is normally considered new funding. However, a CODB allocation will be applied to eligible funding/programs existing in FY16-17 and continuing in FY17-18, (some exceptions exist). This ongoing service if awarded to a new vendor will be considered new funding, and will not be subject to a CODB allocation.

- CODB funding allocations will be included in Funding Notification letters. CODB allocations are tied to the programmatic funding listed in the FN letter detail. So, if a solicitation process hasn’t been concluded, the associated CODB allocation will be withheld until the services are awarded.

- For-Fee-for Service reimbursed Contracts, the CODB increase should result in a rate increase; there is no requirement to increase units of service to “earn” the CODB funding.
FY17-18 CONTRACT STRATEGY AND CONSIDERATIONS (AND WHAT WE HAVEN’T FIGURED OUT)

- It is likely that many contractors will submit two contracts for ongoing services, e.g., services pre-solicitation will be in expiring Contract 1, and services post-solicitation will be included in Contract 2. Please consider:
  - If it is possible, please calculate contract rates across 12 months, so they are the same rates for the same services across both contracts.
  - Please consider anything unique to your contracting, which may mean you don’t want to split the services evenly between contracts even if each contract has a six-month term. For example, do you have seasonal variations in UOS delivery?
  - At this point, we haven’t worked out with the DPH Fiscal Unit how the cost report settlement will occur against two unique contracts which reflect 12 months of services. We do not know if they will or can roll up the same services/programs across two contracts into one settlement, or will need to settle for each contract/contract period separately.
  - We will be convening a work group to try to identify and resolve potential issues arising from this transition year, and will include contractor membership.
BHS- MENTAL HEALTH COST REPORT SETTLEMENT
CHANGE IN INVOICE PROCESSING FOR DIRECT VS INDIRECT UNITS OF
SERVICE (UOS) ON FEE-FOR-SERVICE INVOICES

- There is a long standing cost report settlement procedure that states:
  - Over production of direct service units may be used to offset under production of indirect units; however, indirect UOS over production cannot offset an underproduction of direct service units.

- While this is how the cost report is settled, no distinction has been made in monthly invoice reimbursement. As a result, you may end up owing DPH money as a result of the cost report settlement and potentially be unaware of this situation.

- Effective July 1, 2017, the monthly invoice reconciliation will take into account the settlement procedure, and not roll up the UOS to determine the monthly invoice payment, once the provider has achieved the indirect UOS maximum.
  - This is intended to serve as a flag to contractors that a contract modification may be needed, as well as to reduce over payments.
BHS COST REPORT SETTLEMENT AND NEW CONTRACT

The following is a draft of the new language that will be included in contracts, effective FY17-18:

- **G. CONTRACTOR** further understands and agrees that any State or Federal Medi-Cal funding in this Agreement subject to authorized Federal Financial Participation (FFP) is an estimate, and actual amounts will be determined based on actual services and actual costs, subject to the total compensation amount shown in this Agreement.

- Why is this awesome, even if it looks boring?

- This means that if you end up generating more Medi-Cal than was included in your contract budget (up to and within the total budget) that you won’t be asked to modify your contract to adjust the funding sources.

- It means less modifications, and that DPH won’t receive less reimbursement from the State than we have paid our vendors (which occurs when we don’t do the necessary clean-up modifications and only get paid the contracted amount of Medi-Cal).
BOARD OF SUPERVISOR’S AUDIT OF BHS

FYI, and stand by for data requests:

- The BOS approved a motion directing the Budget and Legislative Analyst to conduct a management audit in 2017 of the Department of Public Health’s Community Behavioral Health Services, including profile of inpatient and outpatient behavioral services provided to San Francisco residents, service utilization over the past ten years and the Department’s projections for future utilization, current and projected future costs and funding sources, the Department’s assessment of current and behavioral health needs, the Department’s practices to plan and prioritize for current and future behavioral health services, the Department’s quality management and measurement of outcomes, and the Department’s behavioral services provided through Jail Health Services.
QUESTIONS?

Michelle Ruggels
Director of DPH Business Office
Michelle.Ruggels@sfdph.org
BUSINESS OFFICE
CONTRACT COMPLIANCE (BOCC)

PROGRAM MONITORING

Debra Solomon
Debra.Solomon@sfdph.org
(415) 255-3471
WHAT IS CONTRACT COMPLIANCE?

• BOC C monitors programs and contracts across multiple DPH program areas, including Mental Health, Substance Use, HIV prevention, HIV Health Services, Community Health Equity & Promotion (CHEP).

• Four primary areas:
  • Deliverables
  • Performance
  • Compliance
  • Client Satisfaction
CONTRACT COMPLIANCE, CONT’D

BOCC also conducts:

• Fiscal Monitoring
• Medi-Cal Certification Visits
• Prop I (“Good Neighbor Policy”) public hearings for new programs
DPH AIMS FOR CLEAR EXPECTATIONS

• DPH sets expectations with the Declaration of Compliance and Performance Objectives.
• Programs agree to follow all requirements. You or other staff will see and sign the Declaration of Compliance annually.
• Performance objectives are on CDTA website or sometimes in your contract.
BOCC staff conduct annual visits or desk audits

Visits include reviews of:
- Performance
- Deliverables
- Site premises
- Administrative binder (training certificates, etc.)
- Client chart signatures
- Client Satisfaction
OUR PHILOSOPHY: CONTINUOUS IMPROVEMENT

• Unofficial motto: “It’s not what’s expected, it’s what’s inspected”

• Our role is not to play gotcha! We are here to help you understand the regulations and performance objectives and help you comply and improve performance.

• Everyone’s focus should be on client outcomes.
TIPS FOR SUCCESS

• Read (really read!) the Declaration of Compliance. Your organization is committing to these actions. If you have questions, please ask.

• Make sure you know what performance objectives your organization is being held to for FY 17-18. Don’t be shy!
COMMON PROBLEMS

• Programs unsure of performance objectives

• Missing Items in Administrative Binder:
  • Fire clearances (very important!)
  • Attestations
  • Waivers
NEW THIS YEAR

- New staff
  - Compliance Managers (Jerna Reyes, Michelle Pollard, Craig Wenzl)
  - Financial Analyst (Wasim Samara)
  - Database and Reporting Manager (Nick Hancock)

- Some changes in standardized objectives for HIV Health Services and Behavioral Health

- Drug Medi-Cal

- Asking now for sample of two months operating expense documentation
QUESTIONS?

For more information, please contact:

Debra Solomon
Debra.Solomon@sfdph.org
(415) 255-3471

Tom Mesa
Tom.Mesa@sfdph.org
(415) 255-3749

Please send audited financial statements to:

Wasim Samara
Wasim.Samara@sfdph.org
(415) 255-3769
BUDGET OFFICE

Michelle Ruggels
Director of DPH Business Office
Michelle.Ruggels@sfdph.org
What’s New or Changed in FY17-18

- Cost of Doing Business (CODB) allocations
- Budget Revisions: Invoice Variance Request Form
- Invoice Detail Requirements: Change in FY17-18
COST OF DOING BUSINESS (CODB) UPDATE

• In FY17-18, the Department will receive funding to provide a 5% CODB increase to contractor funding. This funding is to be allocated evenly over two years, meaning 2.5% of the total will be allocated in FY17-18 and an equal amount will be allocated in FY18-19. The 5% CODB allocation will be determined, based on an agency’s eligible FY16-17 funding baseline. (Caveats specific to Behavioral Health Services (BHS) were discussed in the pre-meeting).

Please Note:

- For-Fee-for Service reimbursed contracts, the CODB increase should result in a rate increase; there is no requirement to increase units of service to “earn” the CODB funding.
The calculation of individual agency CODB allocations is guided by the same criteria as last year. The baseline amount upon which the actual CODB allocation is determined, includes the following:

- General Fund monies, (which for this calculation includes Medi-Cal/EPSDT* and Realignment), as well as continuing work-orders (money given to DPH by other City Departments) which are funded by General Fund monies.

Not Included in the Baseline for Calculating CODB allocations:

- Grant funding, as it is not eligible for CODB funding
- Mental Health Services Act (MHSA) funding – MHSA ceased self-funding CODB increases in FY16-17; therefore, there is no funding available to support MHSA CODB increases.

*EPSDT: Early and Periodic Screening, Diagnostic and Treatment
FY17-18 FUNDING NOTIFICATION LETTERS UPDATE

• For the following sections: HIV Health Services and HIV Prevention Section/Health Education (under CHEP) a single Funding Notification (FN) letter is issued covering each year of the full contract term. Subsequent FN letters are only issued if there is an annual change in funding.

  • Due to the addition of FY17-18 and FY18-19 CODB allocations, modification letters are (or have been) prepared to reflect CODB increases, along with any other changes to the funding allocation since the letter was last issued.

  • A Behavioral Health Services (BHS) Funding Notification update was provided earlier in the BHS only portion of this meeting (if you missed it, please talk to me after meeting).
BUDGET REVISIONS - WHEN MUST YOU REQUEST A MODIFICATION TO YOUR APPENDICES, AND WHEN CAN YOU SKIP?

• **Current Authorization (for skipping a modification):** A vendor is authorized to overspend an expense category by up to 10 percent, or $10,000 whichever is less without formally revising the Appendix B (budget) or Appendix F (invoice), provided that there is an equivalent amount of underspending in a different expense category, so that the individual approved invoice budget is not exceeded. (This rule does not apply to all expense categories, and is only implemented if the funding source allows). Note: In cases where the expected overspending in an expense category exceeds 10%, but the total amount of the overspending is less than $1,000, then the requirement to formally revise the Appendix B and Appendix F is also waived.

• **Exceeding the Current Authorization:** During the year, if overspending in an expense category is expected beyond the 10 percent/$10,000 limit, and the amount exceeds $1000, then the agency would follow the steps to initiate an Internal Contract Revision to reallocate funding. This means that the Appendices will be officially revised to reflect updated spending budgets.
MODIFICATION ALTERNATIVE: INVOICE VARIANCE REQUEST FORM

Effective July 1, 2017, the Contract Budget Revision form will no longer be used. Instead, it has been replaced with the Invoice Variance Request form and process.

- **Invoice Variance Request**: At the end of the Fiscal Year, there may be insufficient time to process an Internal Contract Revision (ICR) to revise appendices B (budget) and F (invoice), prior to the submission of the agency’s final invoice. Thus, an alternative process has been developed. In this case, an Invoice Variance Request Form may be submitted by the vendor to request authorization to over spend in an existing expense category beyond the 10%/$10,000 limit without requiring an ICR (assuming that there is an equal amount of underspending in a different expense category to offset the overspending). An approved Form and the final invoice will become the basis for issuing a final invoice payment, reflecting the overspending.
  - The Invoice Variance Request Form may only be filed once per fiscal year and only at the time the final invoice for the fiscal year is submitted.
  - This only applies to Cost Reimbursement Invoices
  - This policy may be superseded by specific grant provisions or other funding requirements.
### INVOICE VARIANCE REQUEST FORM VERSUS INTERNAL CONTRACT REVISION FOR COST REIMBURSEMENT INVOICES

<table>
<thead>
<tr>
<th>Invoice Expense Category</th>
<th>Scenario</th>
<th>Requirement for Payment Approval/Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>New position(s) not previously contained in the budget (an increase in FTE of an existing position is not considered a new position)</td>
<td>Internal Contract Revision. See # 5 below</td>
</tr>
<tr>
<td>Fringe Benefit</td>
<td>Rate increase</td>
<td>Internal Contract Revision, Fringe Benefit Rate Increase Request Form. See # 5 below</td>
</tr>
<tr>
<td>Indirect</td>
<td>Rate increase</td>
<td>Internal Contract Revision, Indirect Rate Increase Request Form. See # 5 below</td>
</tr>
<tr>
<td>Consultant/Subcontractor</td>
<td>Any increase in the individual consultant/subcontractor line item of the Appendix B</td>
<td>Internal Contract Revision, Updated Subcontract Agreement. See # 5 below</td>
</tr>
<tr>
<td>Capital Expense</td>
<td>Any increase</td>
<td>Internal Contract Revision. See # 5 below</td>
</tr>
<tr>
<td>Occupancy, Materials &amp; Supplies, General Operating, Staff Travel, Other, and Salaries (raise, or FTE increase of existing positions)</td>
<td><strong>Applyable during the year</strong>&lt;br&gt;- The increase <strong>does NOT exceed</strong> $1K of the expense category, and&lt;br&gt;- The increase <strong>does exceed</strong> the lesser of $10K or the 10% of the expense category budget</td>
<td>No action required; invoice will be processed. See #2 below</td>
</tr>
<tr>
<td></td>
<td><strong>Applyable to last month of the fiscal year or funding term</strong>&lt;br&gt;- The increase <strong>exceeds</strong> $1K of expense category, and&lt;br&gt;- The increase <strong>exceeds</strong> the lesser of $10K or the 10% of the expense category budget</td>
<td>Invoice Variance Request Form with justification. See #2 and #3 below</td>
</tr>
</tbody>
</table>
INVOICE VARIANCE REQUEST FOR COST REIMBURSEMENT INVOICE

Notes:
1. The invoice, like the budget, is broken down into expense categories, e.g. Personnel, Operating, etc as listed in column A above. Within each expense category there are specific expense line-items. An Internal Contract Revision is required for any new line-item not previously contained in the budget.

2. The total expenses cannot exceed the total budget of the invoice. Overspending of one expense category(ies) must be offset by underspending in a different expense category(ies).

3. The Invoice Variance Request Form may only be filed once per fiscal year and only at the time the final invoice is submitted. The form is used only to authorize the payment of an invoice variance resulting from overspending in the last month of the fiscal year or funding term. Changes or moves between line items during the year must be made via the normal contract modification process.

4. This policy may be superseded by specific grant provisions or other funding requirements.

5. An Internal Contract Revision (ICR) is a change to the contract that is within (does not exceed) the total Compensation/Not To Exceed (NTE) amount and the existing term contained in the contract agreement boilerplate. Contractor should submit the Contract Change Request Form to CDTA for an Internal Contract Revision. For fringe rate or indirect cost rate increase, refer to the applicable policies. For consultant/subcontractor increase, the contractor needs to submit to CDTA an updated subcontract agreement.

CDTA Website: www.sfdph.org
What's New FY2017-18
8/31/17
### INVOICE DETAIL: OPERATING EXPENDITURES

<table>
<thead>
<tr>
<th>Compliance Audit Finding</th>
<th>Recommendation from the Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Office of Controller, City Services Auditor (CSA) conducted a citywide audit, and</td>
<td>• The Controller recommended that DPH require that vendor invoices include evidence to support all amounts on the invoice and ensure that amounts are adequately supported before approving invoices for payment.</td>
</tr>
<tr>
<td>based on their sampling of the invoice payments they found that there were expenses</td>
<td></td>
</tr>
<tr>
<td>that lacked supporting documentation. Therefore CSA stated that it could not:</td>
<td></td>
</tr>
<tr>
<td>1) Verify the accuracy of the expenses paid</td>
<td></td>
</tr>
<tr>
<td>2) Verify that the quantities invoiced are consistent with the source documents</td>
<td></td>
</tr>
<tr>
<td>3) Ensure that items/services purchased are allowable per the contract</td>
<td></td>
</tr>
</tbody>
</table>
**INVOICE DETAIL: OPERATING EXPENDITURES**

<table>
<thead>
<tr>
<th>Current Procedure</th>
<th>Issues/Problems for Current Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To respond to the Controller's finding, in FY15-16 DPH proposed the implementation of a new procedure, requiring contractors to submit more details related to the actual operating expenditures for cost reimbursement invoices only. As a result, the contractor has been required to submit detail for individual line-items within broader expense categories, as opposed to reporting only at the expense category level. For example, details are required to support expenses under Operating Expenses, including Occupancy, Staff Travel, Consultant/Subcontractor, Materials and Supplies, etc. Expenses under category &quot;Other&quot; must include a description of items, the quantity purchased, the unit price per item and the total cost.</td>
<td>• This procedure is enormously time-consuming for providers because they are having to prorate expenses paid by different funding sources by invoice template. The level of detail has included number of sandwiches, cost per sandwich, and number of the people, in a group receiving food, etc. This level of detail does not appear to ultimately address the Controller's finding.</td>
</tr>
</tbody>
</table>
**Revised Procedure**

1. **Effective July 1, 2017,** vendors will no longer submit the Operating Expense Worksheet. However, as indicated on the invoice template, the vendor is required to maintain back-up records (such as receipts, payroll register, timesheets, names of clients receiving gift cards and amount of gift cards) that support the invoice billing. This documentation for any expense line-item (supporting an expense category total), by unique invoice must be available upon request.

2. **Effective July 1, 2017,** the Business Office of Contract Compliance will apply the current monitoring review standards used to review contracts included in the Citywide Nonprofit Monitoring and Capacity Building Program to all DPH contracts. Specifically, related to the review of backup documentation for invoices, DPH staff will request two months of current year invoices and review associated General Ledger and other backup documentation such as timesheets, payroll register, receipts, etc. to ensure consistency.
DPH BUSINESS OFFICE - BUDGET UNIT STAFF

Shirley Giang, Director 255-3416 Shirley.Giang@sfdph.org
Aida Galino 255-3909 Aida.Galino@sfdph.org
Alyssa Zachariah 255-3637 Alyssa.Zachariah@sfdph.org
Annie Salcedo 255-3498 Annie.Salcedo@sfdph.org
Daniel Leong 255-3554 Daniel.Leong@sfdph.org
Deanna Chan 255-3768 Deanna.Chan@sfdph.org
Jessica Huang 255-3702 Jessica.Huang@sfdph.org
John Fordham 255-3530 John.Fordham@sfdph.org
Joshua Nossiter (MCAH) 558-4037 Joshua.Nossiter@sfdph.org
Judy Perillo 255-3451 Judy.Perillo@sfdph.org
Mimi Fung 255-3667 Mimi.Fung@sfdph.org
Sajid Shaikh 255-3512 Sajid.Shaikh@sfdph.org
Sarah Leung 255-3424 Sarah.Leung@sfdph.org
Winnie Chen 255-3921 Winnie.Chen@sfdph.org
AND FINALLY…

• THE END!
• Questions?

Michelle Ruggels  
Director of DPH Business Office  
Michelle.Ruggels@sfdph.org
OFFICE OF COMPLIANCE & PRIVACY AFFAIRS

What’s New FY17-18
August 31, 2017
### Office of Compliance & Privacy Affairs

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director, Office of Compliance &amp; Privacy Affairs and Chief Integrity Officer</td>
<td>Maggie Rykowski</td>
<td><a href="mailto:maggie.rkyowski@sfdph.org">maggie.rkyowski@sfdph.org</a></td>
</tr>
<tr>
<td>Privacy Training &amp; Policy Specialist</td>
<td>Kim Oka</td>
<td><a href="mailto:kim.oka@sfdph.org">kim.oka@sfdph.org</a></td>
</tr>
<tr>
<td>Deputy Director, Office of Compliance &amp; Privacy Affairs</td>
<td>Catherine (Kitty) Benedict</td>
<td><a href="mailto:catherine.benedict@sfdph.org">catherine.benedict@sfdph.org</a></td>
</tr>
<tr>
<td>Chief Investigation Officer</td>
<td>Ravi Mehta</td>
<td><a href="mailto:ravi.Mehta@sfdph.org">ravi.Mehta@sfdph.org</a></td>
</tr>
<tr>
<td>Director, Behavioral Health Compliance</td>
<td>Chona Peralta</td>
<td><a href="mailto:chona.peralta@sfdph.org">chona.peralta@sfdph.org</a></td>
</tr>
<tr>
<td>Data Sharing Officer</td>
<td>Spencer Williams</td>
<td><a href="mailto:spencer.wiliams@sfdph.org">spencer.wiliams@sfdph.org</a></td>
</tr>
<tr>
<td>Compliance &amp; Privacy Officer</td>
<td>Donna D’Cruz</td>
<td><a href="mailto:donna.drcruz@sfdph.org">donna.drcruz@sfdph.org</a></td>
</tr>
</tbody>
</table>
ANNUAL PRIVACY & COMPLIANCE TRAINING

Reminder:

• Annual Privacy & Compliance Training is due **June 30, 2018**

• Privacy & Compliance Training is to be taken from July 1 – June 30 every fiscal year

• Why wait? Take it now to mitigate potential breaches
ANNUAL PRIVACY & COMPLIANCE TRAINING

• Online Privacy & Compliance Training can be accessed at www.sfdph.org

• Difficulty logging in or other questions?
  Call Privacy & Compliance Hotline: (855) 729-6040
COMMON CBO BREACH INCIDENTS

• PHI (Protected Health Information) taken off-site - Lost/stolen
• Lost/misfiled chart or paperwork
• Misdirected fax or email
TAKing PHI oFF-SITE

• Obtain Approval from your supervisor
• Only save PHI to an encrypted device (laptop, thumb drive/USB, handheld, etc.)
• Keep the paper document and/or device on your person and in your possession at all times
HANDLING PAPERWORK

• Keep files in locked file room and have procedures for signing files in and out

• Be aware of handling patient/client information and avoid accidentally leaving paperwork where it shouldn’t be
Always use a cover sheet with PHI warning language when faxing or mailing PHI.
CONTRACTUAL REQUIREMENTS

• Designate Officer(s) for Privacy, Data Security and Compliance

• Ensure all staff take Privacy & Compliance Training

• Have subcontractor Business Associate Agreements (BAAs) in place if they handle PHI
WHAT’S NEW FOR FY17-18

• Revising/Updating Privacy Policies
• On-site training for CBO’s (Community Based Organizations)
• Coming in 2018 – interactive online training modules
Please post the DPH Privacy & Compliance Confidential Hotline Poster

Poster can be downloaded at:

We’re here to help!

- Call us at (855) 729-6040 or email at compliance.privacy@sfdph.org

- Report potential breaches, consultation on privacy issues and training information & assistance

- DPH Privacy Policies:
QUESTIONS?
“Utilizing sound business practices, CDTA facilitates the development of city health delivery system contracts, thus ensuring the availability of community services that protect and promote the health of all San Franciscans.”
PREPARATION FOR CONTRACT NEGOTIATION
WHAT WE DO TO PREPARE

• Pre-Negotiation meeting
• Recommendation Summary
WHAT YOU CAN DO TO PREPARE

☐ Know your program’s strengths
☐ Know how much things cost
  • Staffing
  • Operating Expenses
☐ Know how your program trends
  • Do a 3-year analysis of your deliverables (add seasonality)
  • Identify new requirements
☐ Know your target population
  • Their needs that go unmet
  • How their needs are changing
☐ Document your position
☐ Determine your “big win” and your “small victory”
☐ Know your program’s weaknesses
  • Don’t be afraid to ask for help
REMINDERS

• Check website for:
  • App A and B, Contract Change request, Invoice Variance Request
  • Performance objectives
  • Presentations

• For New contract staff: contract development training 101-Nuts and Bolts coming soon!

• Fill out evaluation for today’s meeting
## CONTRACT DEVELOPMENT & TECHNICAL ASSISTANCE

<table>
<thead>
<tr>
<th>Michelle Long, Director</th>
<th>255-3409</th>
<th><a href="mailto:michelle.long@sfdph.org">michelle.long@sfdph.org</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Francine Austin</td>
<td>255-3933</td>
<td><a href="mailto:francine.austin@sfdph.org">francine.austin@sfdph.org</a></td>
</tr>
<tr>
<td>April J. Crawford</td>
<td>255-3931</td>
<td><a href="mailto:april.j.crawford@sfdph.org">april.j.crawford@sfdph.org</a></td>
</tr>
<tr>
<td>Elizabeth Davis</td>
<td>255-3934</td>
<td><a href="mailto:elizabeth.davis@sfdph.org">elizabeth.davis@sfdph.org</a></td>
</tr>
<tr>
<td>Margaret Elam</td>
<td>255-3410</td>
<td><a href="mailto:margaret.elam@sfdph.org">margaret.elam@sfdph.org</a></td>
</tr>
<tr>
<td>Mario Hernandez</td>
<td>255-3503</td>
<td><a href="mailto:mario.hernandez@sfdph.org">mario.hernandez@sfdph.org</a></td>
</tr>
<tr>
<td>Hilda Jones</td>
<td>255-3924</td>
<td><a href="mailto:hilda.jones@sfdph.org">hilda.jones@sfdph.org</a></td>
</tr>
<tr>
<td>Jim Stroh</td>
<td>255-3445</td>
<td><a href="mailto:james.stroh@sfdph.org">james.stroh@sfdph.org</a></td>
</tr>
<tr>
<td>Eric Whitney</td>
<td>255-3932</td>
<td><a href="mailto:eric.whitney@sfdph.org">eric.whitney@sfdph.org</a></td>
</tr>
<tr>
<td>Valerie Wiggins</td>
<td>255-3514</td>
<td><a href="mailto:valerie.wiggins@sfdph.org">valerie.wiggins@sfdph.org</a></td>
</tr>
<tr>
<td>Andrew Williams III</td>
<td>255-3928</td>
<td><a href="mailto:andrew.williams@sfdph.org">andrew.williams@sfdph.org</a></td>
</tr>
<tr>
<td>Stephanie Yang</td>
<td>255-3411</td>
<td><a href="mailto:stephanie.yang@sfdph.org">stephanie.yang@sfdph.org</a></td>
</tr>
</tbody>
</table>

CDTA Website: www.sfdph.org

What's New FY2017-18

8/31/17
QUESTIONS?
BEFORE “CERTIFICATION” PROCESS

- **Contracts Office:**
  - Creates contract legal document based on “boilerplate”
  - Creates documents requesting approval
  - Calculates encumbrance and enters contract into FSP (Financial System Project)
- Requests Civil Service Commission Approval ("Personal Services Contracts")
- Requests Health Commission Approval (if needed)
- Requests Board of Supervisors Approval (if needed)
- **Prepares for approval** by the City’s Contract Monitoring Division (CMD) and Office of Contract Administration (OCA)/Purchaser
PREPARING FOR APPROVAL BY OCA: COMPLIANCE

• City departments and contractors are required to comply with many laws, rules, and regulations

• **Proof** of compliance is sometimes required

• **Contracts Office** works to determine the proof of compliance required and works with contractors to obtain it

• **Lack of compliance will delay contract certification = no payment**
COMPLIANCE REQUIRING PROOF (PARTIAL LIST)

• Registration with Tax Collector (includes non-profits)

• Insurance:
  • Certificates Of Insurance
  • Additional Insured Endorsements
  • Waivers of subrogation

• Ordinances you probably already comply with:
  • Minimum Compensation Ordinance (MCO)
  • Health Care Accountability Ordinance (HCAO)
  • Nondiscrimination in Contracts (including Equal Benefits)
  • Local Business Enterprise (LBE) Ordinance
  • Public Access to Meetings and Records (non-profits)
REQUESTING APPROVAL: “CERTIFICATION”

• After you sign your contract, the Contracts Office:
  • Submits to City Attorney for review/signature
  • Submits to Director of Health for review/signature
  • Submits to Office of Contract Administration (OCA)/Purchaser for review/signature
    • 2-3 levels of approval: screening, <$1M, >$1M
    • Requires specific proof of all compliance
    • Anticipates issues, e.g., insurance nearing expiration date
    • Responds to issues (and reviews contracts) for entire City
    • Takes time
AFTERCARE: HAND-OFF, FILING

- After OCA signs your contract, the Contracts Office:
  - Sends it to OCA for approval in FSP
  - Submits it to DPH Accounts Payable for payment
  - Sends you a copy of the fully executed contract
  - As custodian of public record, ensures that a copy of fully executed contract and related compliance and approval documents are on file
NEW CITY FINANCIAL SYSTEM: FSP EFFECTIVE 7/1/17

• Before 7/1/17:
  • Existing contracts and contractors were converted
  • DPH worked to get initial payments out early

• 7/1/17 to present:
  • Entire City learning new system, bugs working out
  • Contracts being processed, workflows being resolved

• At present, we do not plan to ask Bidders to submit proposals through FSP soon…but we do anticipate that will change eventually
FSP TO DO LIST, NOTES

• Do contact sfcitypartnersupport@sfgov.org or 415/944-2442 with questions and problems.

• Do visit: SF City Partners User Support Knowledge Center: https://sfcitypartnersupport.sfgov.org/support/home

• Do attend an open lab; last one on posted schedule is:
  • ➔ Sept. 11 (10 am-4 pm, 1155 Market St., 6th Fl.) ➙

  • Do contact the support desk (above) if you think more labs for suppliers are needed.

• Do make sure your organization is registered, and that your compliance information is correct.
HOW CONTRACTORS CAN HELP

• Contact FSP and resolve any registration issues
• Identify compliance issues (if any) early
• Keep business tax registration up to date
• KEEP PROOF OF INSURANCE UP TO DATE
• Confirm that your contact information is up to date with CDTA for RFP/RFQ and other notices
• Call your Contract Analyst with any questions
### DPH Office of Contract Management & Compliance ("Contracts Office")

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jacquie Hale, Director</strong></td>
<td>554-2609</td>
<td><a href="mailto:Jacquie.Hale@sfdph.org">Jacquie.Hale@sfdph.org</a></td>
</tr>
<tr>
<td>Annalie Eusebio</td>
<td>255-3493</td>
<td><a href="mailto:Annalie.Eusebio@sfdph.org">Annalie.Eusebio@sfdph.org</a></td>
</tr>
<tr>
<td>David Folmar</td>
<td>255-3491</td>
<td><a href="mailto:David.Folmar@sfdph.org">David.Folmar@sfdph.org</a></td>
</tr>
<tr>
<td>Luciana Garcia</td>
<td>255-3518</td>
<td><a href="mailto:Luciana.Garcia@sfdph.org">Luciana.Garcia@sfdph.org</a></td>
</tr>
<tr>
<td>Mahlet Girma</td>
<td>255-3504</td>
<td><a href="mailto:Mahlet.Girma@sfdph.org">Mahlet.Girma@sfdph.org</a></td>
</tr>
<tr>
<td>Stephanie Hon</td>
<td>554-2881</td>
<td><a href="mailto:Stephanie.Hon@sfdph.org">Stephanie.Hon@sfdph.org</a></td>
</tr>
<tr>
<td>Ada Ling</td>
<td>255-3493</td>
<td><a href="mailto:Ada.Ling@sfdph.org">Ada.Ling@sfdph.org</a></td>
</tr>
<tr>
<td>April Monegas</td>
<td>255-3636</td>
<td><a href="mailto:April.Monegas@sfdph.org">April.Monegas@sfdph.org</a></td>
</tr>
<tr>
<td>Cynthia Wu</td>
<td>255-3543</td>
<td><a href="mailto:Cynthia.Wu@sfdph.org">Cynthia.Wu@sfdph.org</a></td>
</tr>
<tr>
<td><strong>Irene Carmona, Manager</strong></td>
<td>554-2652</td>
<td><a href="mailto:Irene.Carmona@sfdph.org">Irene.Carmona@sfdph.org</a></td>
</tr>
<tr>
<td>Diana Cheung</td>
<td>554-2652</td>
<td><a href="mailto:Diana.Cheung@sfdph.org">Diana.Cheung@sfdph.org</a></td>
</tr>
<tr>
<td>Kristine Ly</td>
<td>554-2778</td>
<td><a href="mailto:Kristine.Ly@sfdph.org">Kristine.Ly@sfdph.org</a></td>
</tr>
<tr>
<td>Nora Macias</td>
<td>554-2684</td>
<td><a href="mailto:Nora.Macias@sfdph.org">Nora.Macias@sfdph.org</a></td>
</tr>
<tr>
<td>William Gaitan</td>
<td>554-2843</td>
<td><a href="mailto:William.Gaitan@sfdph.org">William.Gaitan@sfdph.org</a></td>
</tr>
<tr>
<td><strong>Robert Longhitano, Manager</strong></td>
<td>554-2659</td>
<td><a href="mailto:Robert.Longhitano@sfdph.org">Robert.Longhitano@sfdph.org</a></td>
</tr>
<tr>
<td>Arlene Lee</td>
<td>554-2938</td>
<td><a href="mailto:Arlene.Lee@sfdph.org">Arlene.Lee@sfdph.org</a></td>
</tr>
<tr>
<td>Joanna Li</td>
<td>554-2818</td>
<td><a href="mailto:Joanna.Li@sfdph.org">Joanna.Li@sfdph.org</a></td>
</tr>
<tr>
<td>Jonathan Lyens</td>
<td>554-2886</td>
<td><a href="mailto:Jonathan.Lyens@sfdph.org">Jonathan.Lyens@sfdph.org</a></td>
</tr>
<tr>
<td>Philip Mach</td>
<td>554-2694</td>
<td><a href="mailto:Philip.Mach@sfdph.org">Philip.Mach@sfdph.org</a></td>
</tr>
<tr>
<td>Ron Rossi</td>
<td>554-2839</td>
<td><a href="mailto:Ron.Rossi@sfdph.org">Ron.Rossi@sfdph.org</a></td>
</tr>
<tr>
<td>Lin Qui</td>
<td>554-2694</td>
<td><a href="mailto:Lin.Qui@sfdph.org">Lin.Qui@sfdph.org</a></td>
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</tbody>
</table>
QUESTIONS?
Understanding the FY17-18 Behavioral Health Services (BHS) Funding Notification (FN) Letters and FY17-18 Contract Transitions (8/28/17)

**Transition Year:** In Fiscal Year (FY) 17-18, most BHS contractors will be required to prepare two separate contracts to cover services previously funded under a single contract. There are two-related reasons why two contracts may be needed. The first reason is that a majority of current BHS contracts are expiring mid-year in FY17-18 (i.e. 12/31/17), and cannot be extended through 6/30/18 to cover the full fiscal year. Secondly, the majority of BHS services provided under those contracts are being re-solicited through an RFP/Q process. Services/funding awarded to contractors through the RFP/Q process will be contracted in a new contract with an effective date sometime in FY17-18. Services delivered prior to the effective date for a new solicitation will be contracted through the current contract (Contract #1), and the new/ongoing services will go into the new contract (Contract #2). There are some exceptions noted below requiring only one contract. (See last page of this document under Helpful Terminology for contract terminology descriptions).

**How Do I Know If I Need to Prepare Two Contracts instead of One Contract?**
If your existing/current contract expires before 6/30/18, e.g. 12/31/17, (and can’t be extended through 6/30/18), and funding for ongoing services has been or will be re-awarded to you under a recent new solicitation(s), you will have two contracts. The current/expiring contract (Contract #1) will be followed by a new contract (Contract #2). For most contractors the newly awarded services will not start July 1, 2017, but at an effective date after July 1. Thus, the services prior to the solicitation’s effective date will be contracted through the existing/current Contract 1. Re-awarded services rendered from the effective date forward will be contracted through Contract 2. (Note: Services currently in Contract 1, but with a prior solicitation authorization period which extends beyond the term of Contract 1, will be moved to Contract 2, effective 7/1/17).

**Quick Clue:**
Look at your Funding Notification Letter. In recently issued versions, you will see a column on the front page that indicates a CMS# or FSP#. Each unique CMS/FSP number represents a unique and separate contract. All versions of the FN Letter include separate detail pages corresponding to each unique contract. The CMS# or FSP# will be indicated in the upper right corner of the detail page. The time period for the funding within each contract will also be identified in the details pages, along with included services/programs.

**CMS#, FSP#?**
Under FAMIS (the City’s former accounting system), DPH used a Contract Management System (CMS) to generate a unique identifying number (CMS#) for each contract. The new Financial System Project (FSP) (FAMIS replacement) will now be used to generate new unique identifying numbers (FSP#) for each contract. During FY17-18, most BHS contracts will transition to FSP.

1
Are there Exceptions Requiring Only One Contract?

- Yes, if you have newly solicited services with a start date of July 1, 2017, reflecting new, or the continuation of current services through June 30, 2018, then you will only prepare one contract. This new contract with an FSP# will supersede your existing contract with a CMS#. The superseding contract will cover all 12 months of FY17-18.
- Yes, if your current contract isn’t expiring and may be extended through June 30, 2018, and no new solicited services are being added, then only one contract is necessary. This contract with a CMS# will cover all 12 months of FY17-18.

What Services Will be Included in Contract 1: Existing/Current Contract?

- Services expiring/defunded in FY17-18 prior to June 30, 2018.
- Ongoing (re-awarded) services for the period prior to the new solicitation’s effective date, e.g. if newly solicited services begin 10/1/17, the existing Contract 1 will contain funding for services from 7/1/17 through 9/30/17.
- A proration of the FY17-18 Cost of Doing Business (CODB) increase (2.5%) will be included for eligible services.

What Services Will be Included in the New Contract 2?

- Board of Supervisor addback funding (especially if the service is new to the agency and not an expansion)
- Ongoing services re-awarded under recent solicitation. Service months prior to the solicitation’s effective date will be included in Contract 1. If the start date under the recent solicitation is July 1, you’ll only have one contract.
- New additional services or expansions via recent solicitations,
- Ongoing services contained in an expiring Contract 1 that have prior solicitation/sole source waiver authorization to continue in FY17-18 will be moved to the new contract to begin 7/1/17 to ensure cash flow.
- A proration of the FY17-18 CODB increase (2.5%) will be included for eligible ongoing services.
- Funding awarded via outstanding solicitations (e.g. RFP/RFQ) will be added through a later modification.

NEW (Contract 2) Contracts Only: Require Appendices for BOTH FY17-18 and FY18-19

In FY17-18, you will be asked to provide two sets of appendices (e.g. A (narrative), B (budget), and CRDC) for services funded in FY17-18, and a separate set for FY18-19. The annual funding amounts will be available in the detail pages of your Funding Notification Letter. In prior years, BHS has only requested appendices for the current year of the contract’s full contract term. By requesting both years, we are trying to ensure that we have a set of documents that includes a detailed budget for fully annualized services, which is helpful for determining initial payments and seeking contract approval from the Board of Supervisors. Since both the FY17-18 and FY18-19 CODB allocations have been established, this may eliminate the need to submit updated contract documents in FY18-19!
After Initial Certification, Will Contract Modifications to Contract 1 (Existing/Current Contracts expiring 12/31) Be Allowed?

- There will be no modifications once you have submitted your updated appendices and the contract has been processed;
- Please be sure to update contract rates, e.g. as a result of the CODB allocations (which will be prorated to this contract) with your initial submission;

After Initial Certification, Will Contract Modifications to Contract 2 (New Contracts) Be Allowed?

- Yes, to add funding awarded through a new solicitation, following the original certification timing.

Help?

- Please contact your CDTA Program Manager

Helpful Terminology

Contract: A Contract (Original Agreement) is the legal agreement which is made by and between the City and County of San Francisco and the Contractor. Original agreements are made only as the result of a competitive solicitation (RFP/RFQ) or an approved Office of Contract Administration (OCA) sole source waiver.

Contract Term: Each contract (Original Agreement) boilerplate states the entire time period or Term of the agreement. The term of the agreement may include more than one fiscal or funding year (typical length is five years). The contract term may not exceed the time period designated in the competitive solicitation or the approved sole source request.

BHS Contracts: BHS Contracts may contain funding awarded under multiple solicitations and/or sole source waivers. Each solicitation or sole-source waiver has a term of authorization. In some cases, the authorization term may extend beyond the Contract Term. So, while the contract term (and thus contract) may expire, the services may continue.

Appendices: The Original Agreement also includes appendices specific to each particular contract, including individual appendices Examples include: (1) Appendix A: The Description of Services (also referred to as the narrative or Scope of Work/Scope) (Appendix A-1, A-2, etc.) and (2) Appendix B: The Contract Budget pages (Appendix B-1, B-2, B-3, etc.).

Note Regarding BHS Protocol for Appendices: In BHS contracts, Appendices containing budget detail represent only the current Fiscal Year, and not each year of the entire Contract Term. Instead, the appendices are updated annually to reflect rates and other changes. In other sections, one set of appendices may be included for each year of the full contract term.
## Summary Table: Criteria for FY17-18 BHS Contracts and Funding Notifications (may be exceptions)

<table>
<thead>
<tr>
<th></th>
<th>Expiring Services (require some payment in FY17-18)</th>
<th>Continuation of Ongoing Services (previously solicited services continuing through FY17-18)</th>
<th>Continuation of ongoing services via new Solicitation (new solicitation makes ongoing services “new”)</th>
<th>New Services (FY17-18 services — new to an agency via RFP/Q, or new addback funding)</th>
<th>Funding Notification(s) (FN) Protocol/Guidelines</th>
</tr>
</thead>
</table>
| **Existing/Current Contract #1** *(Contract term Expiring on or before 12/31/17)* | Funding authorization expiring by 12/31/17, due to solicitation results, or otherwise ending, will be part of Contract 1: Existing/Current Contract. | Generally not included, unless there is a timing issue. Ongoing but not expiring Services will be included in a new Contract #2, so not subject to a mid-year expiration. | N/A (will go into new contract) | N/A (new services will go into new contract #2, or #3) (goal to include Board addbacks in new contract, so they may not have a 7/1/17 effective date). | **Contract 1 FN Detail:** Include services delivered through contract expiration, + pro-rated FY17-18 CODB funding. Will include any months of services prior to the effective date of a newly solicited service, or services that will otherwise expire at the end of the existing contract term (i.e. not ongoing)  
**Note:** BHS-Children Youth & Family FY17-18 rate increases will be effective 7/1/17 to be consistent across the full year of FY17-18. |
| **CONTRACT #2 (new contract)** | Funding authorization continuing through June 30, 2018 (i.e. the full FY17-18) will be included as part of the new contract to ensure cash flow without interruption. | Ongoing services included in new Contract 2 will be included through effective term, e.g. Calculation of Services following a solicitation will be funded in a new Contract 2.  
Evaluation of solicitation-based start-dates, funding allocation availability, and similarity of services will determine if a second new Contract #3 is necessary. | New program services (never contracted before by vendor) may be combined with ongoing services, but may possibly result in another new stand-alone Contract #3.  
If possible, include BOS addbacks in new contract. |  | **Contract 2 FN Detail:** Could include services based on multiple solicitations and varying start dates, as well as Ongoing Services moved from the Existing/Current contract because not expiring in FY17-18. Vendors will be requested to submit appendices (e.g. appendix B/Budget) for both FY17-18 and FY18-19 fiscal years.  
If the results of a solicitation are known by the issuance of the FN letter, even if the effective date isn’t until 1/1/18, the funding will be included, so those services can be part of the Contract 2 initial certification package.  
**FN#2 Modification:** Initiated to add additional services to Contract 2 following its certification for newly determined solicitation allocations. These may also go into a Contract 3, if it makes more sense. |
| **Contract #3 (new Contract)** | N/A | N/A | If necessary due to timing issues, may be a second new contract | If necessary to accommodate timing issues may be a second new contract | Issue if it has been decided to further break apart contract. |
### DPH BUSINESS OFFICE

Terms and Definitions of Contract Documents, and Required Forms for Processing (November 17, 2016)

<table>
<thead>
<tr>
<th>Official Terms</th>
<th>Other Terms Used</th>
<th>Definitions</th>
<th>Required Forms/Procedures for Initiating Action*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Agreement</td>
<td>Contract</td>
<td>The Original Agreement is the legal agreement which is made by and between the City and County of San Francisco and the Contractor. Original agreements are made only as the result of a competitive solicitation (RFP/RFQ) or an approved Office of Contract Administration (OCA) sole source waiver.</td>
<td>(1) Selection of a contractor through a competitive solicitation or approval of a sole source contract by the City Purchaser/Office of Contract Administration (Forms: RFP/RFQ selection letter or OCA sole source request form and justification memo)</td>
</tr>
<tr>
<td>Agreement</td>
<td>Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal agreement</td>
<td>Legal agreement</td>
<td>The Original Agreement contains the legal language required by the City, which is also referred to as “the boilerplate” or “City template,” and refers to everything in the Original Agreement up to and including the signature page.</td>
<td></td>
</tr>
<tr>
<td>Boilerplate</td>
<td>Boilerplate</td>
<td>The Original Agreement boilerplate also states the entire time period or Term of the agreement and the total contract amount or Compensation amount (funding for all contract years). The term of the agreement may include more than one fiscal or funding year (typical length is five years). The contract term may not exceed the time period designated in the competitive solicitation or the approved sole source request. The Compensation total is also referred to as the Not To Exceed (NTE) amount. Expenditures (spending) made under the contract may not exceed the total Compensation/NTE amount, a requirement that is stated in all City agreements. The Original Agreement also includes appendices specific to each particular contract, including individual appendices for:</td>
<td>(2) Funding Notification (FN) issued Form to Initiate: Request for Contract Funding Notification, prepared by SOC Manager. *</td>
</tr>
<tr>
<td>OCA boilerplate</td>
<td>OCA boilerplate</td>
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<tr>
<td>City boilerplate</td>
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<tr>
<td>City Terms and Conditions</td>
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<tr>
<td>T’s &amp; C’s</td>
<td>T’s &amp; C’s</td>
<td>Specific, legal, policy, funding, or procedural requirements; The Description of Services (also referred to as the narrative or Scope of Work/SOW) (Appendix A-1, A-2, A-3, etc.) The Contract Budget pages (Appendix B-1, B-2, B-3, etc.) Invoice templates Proof of Insurance (insurance certificates, additional insured endorsements, and any approved waivers of insurance requirements) Note: The Compensation or Not to Exceed (NTE) total contract funding includes a placeholder value which is equal to 12% of the contract allocation. This placeholder is referred to as the “Contingency”. The Contingency allows DPH to accommodate potential funding increases, up to 12% of the contract allocation, without requiring a formal contract modification to add the potential increases, or a second approval by the Board of Supervisors or Health Commission.</td>
<td>(3) Contract documents, including Appendices A and B, submitted by vendor to CDTA Manager * or Contract Analyst (if no CDTA Manager)</td>
</tr>
<tr>
<td>City template</td>
<td>City template</td>
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<tr>
<td>City paper</td>
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</table>

Additional Potential Approval Requirements:
- The Health Commission reviews all contracts if the total NTE exceeds $500k, or if a brand new service (contract) exceeds $100k.
- The Board of Supervisors approves all contracts where the NTE amount exceeds $10 million, and the term exceeds 10 years.
- The Civil Service Commission approves the contracting-out of services through approval of request for Personal Services Contract (PSC), which includes requirements for notification of labor unions whose members may be affected.

* Forms and procedures with an asterix represent forms and procedures utilized where there is a Contract Development and Technical Assistance (CDTA) Manager assigned as the point of contact for the agency.
<table>
<thead>
<tr>
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<th>Other Terms Used</th>
<th>Definitions</th>
<th>Required Forms/Procedures for Initiating Action*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Amendment</td>
<td>Amendment, Modification, Formal Modification, Mod., Formal Mod., No-cost Extension, Contract Extension</td>
<td>A Contract Amendment literally amends–modifies and changes–the Original Agreement. Once it is fully executed (signed) and certified, all of the changes that the contract amendment describes are legally incorporated into the contract, and any changes or modifications made then supersede the Original Agreement or any previous contract amendments.</td>
<td>• Agency-Initiated Change Request: Agency must submit Contract Change Request form to DPH Business Office-CDTA Manager.*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contract amendments are subject to the same City approval and certification process as the Original Agreement.</td>
<td>• DPH Staff-Initiated Change Request: Staff must submit Request for Contract Funding Notification form to the DPH Business Office-Budget Unit after inserting information supplied by the Contracts Office.*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A contract amendment is made when there are changes to the boilerplate (the section of the contract agreement before the signature page). Accordingly, it is typically utilized when the original term of the contract needs to be extended, or the total Compensation/Not to Exceed (NTE) amount is increased. Other changes may trigger a contract amendment, but these are the most common.</td>
<td>• Funding Notification (FN) issued*</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Board of Supervisors Review Trigger:</strong> If a contract has previously been approved by the Board of Supervisors, any contract amendment that adds more than $500,000 to the originally approved NTE amount will trigger the requirement to return to the Board for approval. If a contract term extension results in a total contract term becoming more than 10 years, or if a proposed extension to a previously approved term exceeds the originally approved term, this must also be approved by the Board. These requirements relate to the expenditure budget, rather than revenues. Revenues are covered under different criteria. (Both are covered under SF Charter Sec. 9.118.)</td>
<td>• Vendor submits contract documents, including Appendices A and B to DPH Business Office-CDTA Manager* or to Contract Analyst if this contract isn’t assigned to a CDTA Manager.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Health Commission Review Trigger:</strong> If the amendment extends the previously approved term or NTE value, then the contract must return to the Health Commission if the funding is in excess of $500k annually.</td>
<td>• Standard Processing Path, including approval and signature by the vendor, City Attorney, Director of Health, and City Purchaser/OCA</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Official Terms</th>
<th>Other Terms Used</th>
<th>Definitions</th>
<th>Required Forms/Procedures for Initiating Action*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Contract Revision (ICR)</td>
<td>Informal Modification</td>
<td>An Internal Contract Revision (ICR) is a change to the contract that is within (does not exceed) the total Compensation/Not To Exceed (NTE) amount and the existing term contained in the contract agreement boilerplate.</td>
<td>• Agency-Initiated Change Request: Agency must submit Contract Change Request form to DPH Business Office-CDTA Manager.* (not required for Cost of Doing Business Increases as these will be automatically included).</td>
</tr>
<tr>
<td>Informal Contract Revision</td>
<td>Informal Budget Mod.</td>
<td>For instance, if a new annual contract budget includes an increase over the prior year, e.g. to add Cost of Doing Business funding, the contract may be revised through an ICR as long as the total Compensation/ NTE amount identified in the boiler plate has not been exceeded. As noted previously, the Compensation or NTE amount includes the placeholder value of the contingency, which is an additional 12% of the total allocation or award. As such, annual and unanticipated increases may be added to the total annual contract budget, as long as the Contingency value of 12% is not exceeded. ICRs do not require approval by the City Attorney or City Purchaser/Office of Contract Administration (OCA), but they do require the re-submission of the revised narrative and budget appendices to reflect the applicable changes.</td>
<td>• DPH Staff-Initiated Change Request: Staff must submit Request for Contract Funding Notification form to the DPH Business Office-Budget Unit after inserting information supplied by the Contracts Office.*</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• A revised Funding Notification (FN) letter is issued if needed (for mid-year change). A change in Units of Services (UOS)/ rate does not require a revised FN unless the funding amount or funding mix is impacted.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• A new FN is issued to award an annual funding allocation if there is a change in funding levels from the prior year.*</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Vendor submits revised contract documents, including applicable Appendices A and B to DPH Business Office-CDTA Manager* or Contract Analyst if not assigned to a CDTA Manager.</td>
</tr>
</tbody>
</table>

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### Official Terms | Other Terms Used | Definitions | Required Forms/Procedures for Initiating Action*
---|---|---|---
Invoice Variance Request Form | (replaces Contract Budget Revision Form) | **Applies to Cost Reimbursement Invoices Only:** The contract’s Appendix F is its invoice templates, which are completed and submitted by the vendor for reimbursement, typically on a monthly basis. The invoices are based on the budget detail contained in Appendix B of the contract. The invoice, like the budget, is broken down into expense categories, e.g. Personnel, Operating, etc. Within each expense category there may be multiple line-items.  
**Current Authorization:** a vendor is authorized to overspend an expense category by up to 10 percent, or $10,000 whichever is less without formally revising the Appendix B or Appendix F, provided that there is an equivalent amount of underspending in a different expense category, so that the individual approved invoice budget is not exceeded. (This rule does not apply to all expense categories, and is only implemented if the funding source allows). Note: In cases where the expected overspending in an expense category exceeds 10%, but the total amount of the overspending is less than $1,000, then the requirement to formally revise the Appendix B and Appendix F is also waived.  
**Exceeding the Current Authorization:** During the year, if overspending in an expense category is expected beyond the 10 percent/$10,000 dollar limit, and the amount exceeds $1k, then the agency would follow the steps to initiate an *Internal Contract Revision* to reallocate funding.  
**Invoice Variance Request:** At the end of the Fiscal Year when there may be insufficient time to process an Internal Contract Revision (ICR) prior to the submission of the agency’s final invoice, an Invoice Variance Request Form with justification may be submitted by the vendor to request authorization to overspend in an existing expense category beyond the 10%/10,000 limit for an amount that exceeds $1k, without requiring additional revisions to the Appendix B or F (assuming that there is an equal amount of underspending in a different expense category to offset the overspending). An approved Invoice Variance Request Form with the final invoice will become the basis for issuing a final invoice payment, reflecting the overspending without an ICR. | • Agency-Initiated Change Request: Agency must submit *Invoice Variance Request* form to DPH Business Office-CDTA Manager who will obtain the necessary approvals*.  
Note: An Invoice Variance Request form is almost exclusively initiated by the agency when it is desired to shift funding within pre-existing expense categories (See the full guidelines in the DPH Invoice Manual.) As noted, some exceptions may not be achieved through this process. These are also detailed in the guidelines, and below.  
Expense Categories Requiring Internal Contract Revision to reallocate funding, i.e. usage of Invoice Variance Request form not permissible:  
• New positions not previously contained in budget  
• Fringe Benefit rate or % increase  
• New line-items not previously contained in the budget  
• Capital expense increases  
• Subcontractor/consultant increases  
• Indirect cost rate or % increases  
See Criteria Table Below on page 8

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<th>Required Forms/Procedures for Initiating Action*</th>
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<tbody>
<tr>
<td>Blanket Purchase Order (BPO) and Purchase Order (PO) release</td>
<td>Multi-Year Encumb. (MYE) (&quot;slang&quot;)</td>
<td>If a contract has a term of more than 12 months, it may be referred to as a “multi-year” contract. At the very beginning of the multi-year contract term, a new, original agreement is created, and a Blanket Purchase Order (BPO) is created in the City’s accounting database (NFAMIS). The BPO covers the entire term of the contract and the total, Not-To-Exceed (NTE) compensation amount, shown in the contract boilerplate (not just for one funding cycle or one year). The BPO indicates DPH’s plan to spend the NTE amount during the contract term. However, the BPO does not actually set aside any money or make funding available for vendor payments. To restrict the use of the funding identified in the BPO, and to make funding available for vendor payments, funding must be “encumbered” first. To “encumber” money is to restrict its use and to make the restricted funding available for processing payments to the vendor for the provision of its contractual services. Formally, the process/term is to set up a Purchase Order release (PO release). PO releases are typically created for each City fiscal year, i.e. reflecting the annual contractual budget. When a PO release is processed, it reduces the amount of money available in the BPO. Once a PO release is processed, then contract invoices may be paid. Monthly invoice templates are prepared reflecting the Appendix B budget for the certified contract. Contractor payments are processed as vouchers. Each voucher reduces the amount available in the PO release for that fiscal year, resulting in less money being set aside for that specific purpose or encumbered for that fiscal year. <strong>Interim Process:</strong> If there is a gap in time – typically occurring at the beginning of the City fiscal year – between (a) the beginning of a new City fiscal year or other funding cycle and (b) certification of modifications to the contract to implement annual allocations and updates, (e.g. to add CODB funding), contractor payments are able to continue by creating and processing a PO release for the new fiscal year,</td>
<td>The DPH Business Office Budget Unit prepares a schedule identifying the funding available for the agency’s annual PO release, which is the lower of the previous year’s budget and the current year’s funding available at the time of the PO release’s preparation.* For instance, if last fiscal year’s budget identified $100k for a particular service in the contract and this fiscal year’s current, available funding is identified as $125k, only $100k may be processed through the PO release. The remaining $25k will be encumbered when the new contract is certified.</td>
</tr>
</tbody>
</table>

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>against the BPO. However, the continuing payments are based on the funding level and units of service rates from the most recently approved Appendix B, typically from the prior year, pending the certification of an updated contract. The shorthand/legacy term sometimes used to refer to this is “doing a Multi-Year Encumbrance or MYE,” which refers to the ability to encumber money through a PO release when the contract term continues into the current fiscal year or funding cycle period, because the contract has a BPO against which a PO release may be processed. When an MYE is used to continue cash flow during this gap period, an agency continues to submit monthly invoices until the contract is updated through a modification. These invoices are based on the existing (not yet updated) Appendix B/Budget, but with dates reflecting the current fiscal year/funding cycle. (The modification to update the contract is based upon the most current Funding Notification, with invoices also updated to correspond to the updated contract and Appendix B/Budget.) Until the modification to update the contract is certified, the vendor will not be paid for any new funding added in the current fiscal year/funding cycle, or be able to utilize revised, typically higher, UOS rates. MYEs are only possible when the PO release amount and time period are within the total contract term and NTE amount of the current, certified contract agreement. (See Original Agreement for definitions). Note: If the contract also contains existing contract language allowing for an initial (advance) payment, payment of that advance also is only possible if it is within the period of time and amount covered by the total contract term and NTE amount.</td>
<td></td>
</tr>
</tbody>
</table>

Last updated: 9/6/2017  BO-CO/Training and Resources/Contract Types/Contract Terms and OCA
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<table>
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</tr>
</thead>
</table>
| Initial Payment* | Advance | Providing for an annual Initial Payment is an historical practice requested by most Behavioral Health Services (BHS) contractors. These agencies receive a payment at the beginning of each fiscal year equal to approximately 25% of eligible annualized funding within an encumbrance amount determined by the DPH Business Office - Budget Unit.

Eligible funding is based on the current year full value of General Fund and Mental Health Services Act (MHSA) monies, reduced by any known reductions to occur in the next Fiscal Year. Grant and work order funding may not be paid out in advance, and are therefore not included in the calculation of an initial payment.

Contractors may receive initial payments at the beginning of the year, based upon eligible funding sources & sufficient fidelity/employee dishonesty bond insurance. A reduction to future invoice payments is made in equal monthly amounts by the DPH Accounts Payable Office in order to recover the initial payment during the period of October through March. | (1) The DPH Business Office Budget Unit prepares an encumbrance worksheet identifying the baseline funding, by contractor, for the purpose of calculating an initial payment amount. The baseline amount is called the “Fiscal Year Encumbrance.”

(2) The Contracts Office determines the amount of the initial payment and prepares the Initial Payment Claim.

(3) The agency signs the Initial Payment Claim.

(4) Fiscal processes the initial payment.

(5) Fiscal recovers the initial payment in equal monthly amounts during October through March of the City fiscal year, or as stated in the contract.

(See: Initial Payment- Expanded Description of Process (Behavioral Health Contracts below for more details on page 10)
### Table: Invoice Variance Request Form: Applying the Rules

<table>
<thead>
<tr>
<th>Invoice Expense Category</th>
<th>Scenario</th>
<th>Timing of Variance Occurrence</th>
<th>Requirement for Payment Approval/Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>New position(s) not previously contained in the budget (an increase in FTE of an existing position is not considered a new position).</td>
<td>Before the end of fiscal year</td>
<td>Internal Contract Revision</td>
</tr>
<tr>
<td>Fringe Benefit</td>
<td>Rate or % increase</td>
<td>Before the end of fiscal year</td>
<td>Internal Contract Revision</td>
</tr>
<tr>
<td>Indirect</td>
<td>Rate or % increase</td>
<td>Before the end of fiscal year</td>
<td>Internal Contract Revision</td>
</tr>
<tr>
<td>Consultant/Subcontractor</td>
<td>Any increase</td>
<td>Before the end of fiscal year</td>
<td>Internal Contract Revision</td>
</tr>
<tr>
<td>Capital Expense</td>
<td>Any increase</td>
<td>Before the end of fiscal year</td>
<td>Internal Contract Revision</td>
</tr>
<tr>
<td>Occupancy, Materials &amp; Supplies, General Operating, Staff Travel, Other, and Salaries (raise, or FTE increase of existing positions)</td>
<td>The increase does NOT exceed $1K of the expense category. (1)The increase exceeds $1K of the expense category, and (2)the increase does NOT exceed the lesser of $10K or the 10% of the expense category budget.</td>
<td>Before the end of fiscal year</td>
<td>No action required; invoice will be processed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No action required; invoice will be processed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Internal Contract Revision</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Invoice Variance Request with justification</td>
</tr>
</tbody>
</table>

**Notes:**

1. An *Internal Contract Revision* is required for any new line-item not previously contained in the budget.

2. The total expenses cannot exceed the total of the individual invoice budget. This is applicable to all above scenarios, including adding a new line-item. Overspending of one expense category(ies) must be offset by underspending in a different expense category(ies).
Summary of Forms (referenced above)

<table>
<thead>
<tr>
<th>Forms</th>
<th>Who Completes</th>
<th>Available Where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Change Request Form</td>
<td>Agency Staff complete to request a contract revision</td>
<td><a href="http://www.sfdph.org/cdta">www.sfdph.org/cdta</a> Procedures and Guidelines</td>
</tr>
<tr>
<td>Request for Contract Funding Notification</td>
<td>DPH Staff complete to request a change to the most recent Funding Notification letter.</td>
<td>Budget Unit: Budget Analyst</td>
</tr>
<tr>
<td>Invoice Variance Request Form (&amp; Instructions and Flowchart)</td>
<td>Agency Staff complete to request a change to the funding allocation within expense categories in a cost reimbursement invoice.</td>
<td><a href="http://www.sfdph.org/cdta">www.sfdph.org/cdta</a> Procedures and Guidelines (instructions contained in Invoice Manual)</td>
</tr>
</tbody>
</table>

Annual Renewal Processing: Examples

<table>
<thead>
<tr>
<th>Typical Examples</th>
<th>Contract Amendment</th>
<th>Internal Contract Revision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example A: Internal Contract Revision:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual funding allocation and fiscal year are within the total Not to Exceed (NTE) amount and full Term identified in the Original Agreement or most recent Contract Amendment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example: Adding annual CODB funding increase and corresponding rate changes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Example B: Contract Amendment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual funding allocation and/or fiscal year period exceed the NTE amount and Term identified in Original Agreement or the most recent Contract Amendment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example: Continuing existing annual funding, and/or adding annual CODB funding</td>
<td></td>
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</tr>
<tr>
<td>If the contract term has ended and the contract has expired, there will be no cash available, pending the certification of a Contract Amendment.</td>
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</tr>
</tbody>
</table>

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Initial Payment- Expanded Description of Process (Behavioral Health Contracts)

(1) The DPH Business Office Budget Unit submits an encumbrance worksheet to the 1380 Howard Contracts Unit each Spring in preparation for the next year’s contract process. This worksheet contains a Fiscal Year Encumbrance amount for each existing contract. This amount is based on:
   (a) the current year full value of General Fund and Mental Health Services Act (MHSA) monies, reduced by any known reductions to occur in the next Fiscal Year;
   (b) half of the value of recurring grants*; and
   (c) the full value of the next year’s work order funding value, if the work order has been signed by the Requesting (funding) Department.

Note: While all three funding sources are included in the Fiscal Year Encumbrance total, neither the grants nor the work order value is included in the calculation by the Contracts Office of the initial payment amount, as these two funding sources are ineligible for an initial payment. The full value is included for determining the Multi Year Encumbrance amount.

(2) The DPH Business Office Contracts Unit determines the 25% value of the initial payment. To do so, the Contracts Analyst verifies that:
   (a) the contract boilerplate includes an appropriate requirement for fidelity bond, employee dishonesty, or similar coverage to eliminate any risk to the City for providing the initial payment;
   (b) The Contractor provides appropriate proof of this coverage, ensuring that the dollar amount of coverage is adequate to cover the initial payment and the coverage is not due to soon expire; and
   (c) The contract’s Appendix B, Calculation of Charges includes appropriate the initial payment language.

(3) If the amount of coverage is less than the calculated value of the Initial Payment, (or for an MYE, the amount shown on the Budget Unit’s Fiscal Year Encumbrance schedule), the Contracts Unit will ask the Contractor to provide a new certificate of insurance with the full amount of the initial payment covered. If the new certificate is not provided in a timely manner to avoid payment delays, the Contracts Office will prepare the Initial Payment Claim with the amount of current coverage provided on the current insurance certificate. If the current coverage is due to expire soon, the Contracts Office will also ask for an updated certificate of insurance, and will not process the initial payment until it is received.

(4) The Provider will sign the Initial Payment Invoice and return it to the Contracts Office if so desired.

(5) The Contracts Office will submit the Initial Payment Claim to DPH Accounts Payable for approval with a copy of the contract boilerplate pages which show the contract Term and Compensation amount, the Appendix B-Calculation of Charges, the most recent contract budget, and a Contract Purchase Order request form (also called the “ADPICS” or “NFAMIS” form).

(6) DPH Accounts Payable will set up the encumbrance (Purchase Order release) and process the initial payment.

(7) DPH Accounts Payable will recover the full amount of the initial payment by equal monthly reductions to regular invoice payments during October through March of the City fiscal year, or as stated in the contract.