

Dear Nonprofit Partner,

Thank you for your continued diligence in delivering critical services for the City throughout a pandemic, recession, and the recent arrival of thousands of asylum seekers who need our care. The work you do every day does not go unrecognized.

Commensurate with what we ask of you, the City is committed to making ourselves a better business partner. We have been working hard to do so, and we are excited to share progress that directly affects your cash flow and streamlines operations for providers and City agencies. We are writing today with a comprehensive update on the City's ongoing procurement reform efforts, as recommended by the [Joint Task Force to Get Nonprofits Paid On Time](#).

Preventing Another Backlog

As many of you know, a central pillar of this work was clearing the backlog of unregistered contracts and amendments. The Adams administration delivered a resounding success by clearing over \$4.2 billion in contract dollars over the course of a 12-week sprint last summer and continued to clear out most of the \$7 billion identified in this initiative over the course of the calendar year.

But our efforts did not stop there. Throughout the backlog initiative we knew that it was imperative to distribute delayed funds, and just as important to prevent another backlog in the future. As we have in years past, this led us to pinpoint the large portfolio of human services contracts beginning July 1 as a key target for timely registration.

This year's timely registration efforts proved particularly daunting – overall contracting volume was 60% higher than last year, and agencies faced significant competing priorities such as the asylum seeker emergency response. However, through dedicated project management, citywide collaboration, and a lot of hustle on the part of our human service agencies, we recently closed out the fiscal year with another major success – **81% of human services contracts beginning July 1 were submitted to the Comptroller ahead of the new fiscal year, and we have now reached 93%**.

This is a significant achievement that outpaced last year's performance by nearly 25%! We are continuing to push the outstanding contract actions to the Comptroller's office to reach 100%, and tracking progress on budget and payment tasks. There will be plenty of reform updates to come, some of which you will find below, but we want to take a moment to acknowledge this sign of continued progress and our commitment to making City procurement work for our providers.

Timely Payment

This successful push for contract registrations is only meaningful as long as it leads to timely payments. In addition to our ongoing efforts to digitize invoicing and payment (more below), the City also has numerous policies in place to support cashflow, and we are continuing to project manage agencies in launching the associated budgets with their FY24 contract actions.

At the start of each fiscal year, human services providers are eligible for advance payments of 25% of their annual contract budget. Once your FY24 contracts are registered, you should contact your contracting agency to check the status of advances.

Workforce Enhancement

The FY24 adopted budget includes \$40 million in FY24, increasing to \$90 million in FY25, in new funding to support the human services sector. This comes on top of the \$68 million workforce enhancement that was made in last year's budget. As with that funding, providers will be able to leverage the new allowance clause in human service contracts to access these funds more quickly. Please contact your contracting agency with any specific questions.

Ongoing Joint Task Force Reforms

In addition to putting money in your pocket to do the important work ahead of us as a City, we have been working hard to make progress on streamlining and process improvement reforms which were identified in the Joint Task Force report. Since April we've advanced the following initiatives:

- **City Council Discretionary.** As announced in the Mayor's [recent press release](#), the administration and Council have agreed to implement multi-year base contracts that can be used to pay for discretionary awards, in order to get Council funding allocations out to nonprofits quicker than ever—we estimate a nine month savings in time to payment in the out-years after the contracts are registered. Our thanks to Comptroller Lander's office for helping to advance this reform. We expect it to yield significant results and will continue to work with the Council on refining this process.
- **Allowance Clause.** The standard human services contract has been amended to include language that would provide an allowance for increased funds beyond the contract maximum to a certain threshold. Going forward this will alleviate the number of amendments that agencies and providers need to process and speed up cashflow. We have already seen it successfully utilized to implement the \$68 million workforce investment from last year.
- **Returnable Grant Fund.** MOCS continues to make the loan fund available for providers with unregistered contracts and amendments. Consistent with the findings of the Task Force, we have enhanced communications around the loan fund's availability and are taking additional steps to streamline the application, which we expect to roll out in the next few months.
- **Contract-Stat.** We've continued to develop and refine the data and key performance indicators which will be featured in ContractStat and have previewed the initial version for key stakeholders citywide. Transparency and accountability remain defining principles of our approach to contracting reform, and we look forward to rolling out this initiative in the coming months.
- **Financial Control Board.** The administration requested and successfully received a fivefold increase to the Financial Control Board's threshold for reviewing Mayoral contracts (including the Department of Education). The threshold for FCB review on new contracts was increased to \$50 million or more. We anticipate that this will remove weeks of administrative processing time for applicable contract actions.
- **Vendor Integrity Unit.** The FY24 budget reflects several new positions to staff the Vendor Integrity Unit, a proposal emerging from the Joint Task Force work that looks to proactively evaluate vendor risk and support agencies in managing contract performance. We are excited to kick off this initiative and look forward to sharing out results.
- **Vendor Compliance Cabinet.** MOCS, Mayor's Office for Nonprofit Services (MONS), and the Mayor's Office of Risk Management and Compliance (MORMC) announced the Vendor Compliance Cabinet earlier this summer, which is a body responsible for identifying gaps in policies and procedures that make it difficult for agencies to enforce compliance. Ultimately, through monthly meetings, it aims to increase the transparency and standardization of vendor compliance and accountability, reduce risks and costs by closing policy gaps and identifying savings, strengthen contract oversight and management practices, and gain contracting efficiencies through strategic risk management. We look forward to seeing the ideas this group puts together.
- **Citywide Audit Reform.** In response to provider feedback, MOCS, MONS, and MORMC are also working through a policy proposal which will let agencies rely on the independent audits providers already do, and limit contract audit to risk-based only. The goal of this proposal is to streamline the auditing process and reduce the number of audits to provide better value to City agencies. The proposed audit policy for human service programs and vendors was presented to the Vendor Compliance Cabinet and MOCS will continue to engage providers to support successful implementation.

Full Digitization of Procurement - PASSPort

Finally, as we have previously shared, MOCS continues to move the City forward in service of the goal to centralize, standardize, and digitize City procurement. After a long and storied career, we will be retiring the legacy HHS Accelerator system and migrating financial activity into PASSPort.

The human services agencies have been piloting invoicing and financials in PASSPort for several years now, but we know that change is never easy. We will continue to provide more detailed updates, training opportunities, learning materials, and other approaches to change management as we get closer to the cutover. PASSPort will also be getting several "look and feel" updates, which we hope will improve the user experience and give you a more seamless experience to contracting with the City. We are also planning to introduce a Document Vault feature to PASSPort that providers have found so valuable in HHS Accelerator over the years. We are very excited to realize the dream of a fully central online platform where agencies and vendors will ultimately spend less time and effort on contracting, and more on delivering the services that the City relies on.

We want to hear from you!

In closing, we want to maintain open lines of communication on all of the reform work and technology adjustments outlined above, and want to ensure that your feedback is fully incorporated into the changes we are leading. While we understand this work takes time, and many providers have stuck with us through good and bad times, we are confident that these reforms will lead to a lasting improvement to the City's ability to partner with organizations such as yourself.

Thank you for all the work you do, and for putting trust in us to hold up our end of the bargain.

Sincerely,

Lisa M. Flores

City Chief Procurement Officer and Director, Mayor's Office of Contract Services

Karen Ford

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