Austin City Auditor's Office

Audit Report

Nonprofit Contract Performance Management

July 2026

The City has a process for managing nonprofit contracts for family and social services. However, nonprofits do not consistently provide agreed upon services. For more than half of the performance expectations we reviewed, what was provided was more than 40% below the expected amount. As a result, the City is paying for services that were not fully delivered, and vulnerable residents may not get the services they are supposed to receive.

For most of the contracts we reviewed, the City uses a cost-reimbursement model where the nonprofits providing family and social services are generally paid for expenses regardless of outcomes. While City staff complete a desk review at the end of engagements with nonprofits, this review does not provide a deeper assessment of the nonprofits' performance. Without these accountability steps, the City may continue extending or awarding family and social services contracts to nonprofits with known performance issues.

Austin
City Auditor's Office

Audit Highlights
July 2026

Nonprofit Contract Performance Management

Objective

The objective of this audit was to determine whether the City is effectively and efficiently writing and managing nonprofit contracts for family and social services.

What We Found

The City has a process for managing nonprofit contracts for family and social services. However, nonprofits are not consistently providing agreed upon services. As a result, the City is paying for services that were not fully delivered, and vulnerable residents may not get the services they are supposed to receive.

- We reviewed a sample of 25 contracts with a contract amount of about $30 million and found that for 19 (76%) of the contracts, the nonprofit organizations did not meet one or more performance expectations.
- We reviewed 151 annual output and outcome performance expectations. We found that the nonprofit organizations did not meet 67 (44%) of the expected output and outcome performance expectations. This included 45% of the output and 42% of the outcome performance expectations.

Exhibit 1: Nonprofit organizations did not meet about 44% of the expected output and outcome performance expectations

Type of expectation	Description of expectation	Expectations reviewed	Expectations met	Expectations unmet
Output	Show what the nonprofit did, e.g. how many individual clients received services	115	63	52
Outcome	Tell the effect of the service provided, e.g. behavior changes and conditions improved	36	21	15

Source: ACAO analysis of performance expectation reports included in a sample of 24 nonprofit contracts, May 2026

For nonprofits that did not meet one or more performance expectations, there were significant deviations between what the City was expected to receive and what the nonprofit provided. For more than half of the performance expectations we reviewed that were not met, what was provided was more than 40% below the expected amount.

The City pays nonprofits for their costs such as salaries, travel, and other operating expenses even if nonprofits do not provide all the required services, and it does not enforce consequences when nonprofits fail to meet performance goals. The City also does not consistently conduct or document evaluations of nonprofit performance at the end of each contract. These gaps increase the risk of the City continuing to fund nonprofits with known performance problems.

What We Recommend

We recommend the City Manager identify a lead department to implement a post-contract performance evaluation process for nonprofits, evaluate and strengthen the City's family and social services contracting model and implement ways to encourage nonprofits to meet performance expectations and provide a high level of service.

Contents

Cover: City of Austin, 2021.

Objective

The objective of this audit was to determine whether the City is effectively and efficiently writing and managing nonprofit contracts for family and social services.

Background

Austin has historically relied on contracts and grants, mostly with nonprofit organizations, to provide many important services to the community. According to City staff, the City is currently working on defining the terms "contracts" and "grants" and on establishing a structure for managing them. For this audit, we are using the term "contracts" to refer to both nonprofit contracts and grants. We looked specifically at family and social services contracts with organizations that identified as nonprofits when they registered with the City as vendors. These contracts cover a wide range of support such as homelessness services, health and behavioral care, job training, housing assistance, and services for children, youth, families, and other community members. Austin Public Health is responsible for managing most of these contracts.

During fiscal year 2025, the City of Austin spent about $100 million with 95 nonprofit organizations contracted to provide family and social services. The management of these contracts is spread across the City. We were unable to determine the actual dollar amounts managed by each department because responsibilities for specific contracts and grants shifted between departments recently and these changes are not reflected in the City's financial system's records.

In 2019, we conducted an audit of the City's social service contract process, and we issued three recommendations. We recommended for the Director of Austin Public Health to work with the City Manager to develop a Citywide social service procurement policy as well as develop a funding strategy for social services. We also recommended the City Manager work with Council to determine whether the City's Anti-Lobbying Ordinance should apply to social service contracts. We determined the recommendation to develop a funding strategy is implemented. The recommendations to develop a Citywide social service procurement policy and determine whether the City's Anti-Lobbying Ordinance should apply to social service contracts have not been implemented due to shifting responsibilities and definitions of social service contracts and grants across the City.

Finding 1

The City does not ensure that nonprofits are consistently providing agreed upon services. As a result, vulnerable residents may not get expected services and may have their needs unmet.

The National Association of State Procurement Officials (NASPO) recommends that organizations should monitor and track contractors' performance.

According to the City's Contract Procurement Manual, departments should ensure that contractors meet performance expectations.

The City's Procurement Manual requires departments to monitor contracts and ensure that contractors meet performance expectations. The City has an established process for managing nonprofit contracts related to family and social services. For example:

The City has established performance expectations for the nonprofits, which provide family and social services: According to best practices, organizations that contract out should clearly define expectations, including timelines and how success will be measured. We reviewed 175 performance expectations from 26 contracts to determine whether they were aligned with best practices. We found that of the 175 performance expectations:

- 93% clearly defined what was supposed to be delivered
- 89% specified how success would be tracked
- 85% had clear delivery dates

The City has a process for collecting nonprofits' performance information: The contracts require each nonprofit to submit regular performance reports to the City. Staff in one department said they can check a nonprofit's performance in real time, while other departments rely on the nonprofits to submit invoices and performance reports. Some contracts require nonprofits to provide supporting documents upfront, but others only require this documentation if the City asks for it. Austin Public Health uses a tool to track family and social services contracts. All nonprofits must report their performance data through this tool, including explanations for any changes or deviations.

Department staff perform site visits to see how well the nonprofits are carrying out the services the City is paying for: Staff in every department we reviewed said they conduct site visits to make sure nonprofits are complying with the contract requirements and meeting performance expectations. However, not all departments visit every nonprofit. Staff in two departments said they visit all contracted nonprofits, while staff in other departments said they decide whether to conduct a site visit based on factors like contract requirements, performance concerns, or whether the department considers the contract high-risk.

The contracts we reviewed require nonprofits to submit performance reports periodically. The City departments who manage these contracts are responsible for monitoring their contracts to ensure that nonprofits meet performance expectations. However, the nonprofits did not consistently meet the performance goals. For more than half of the performance expectations we reviewed, what was provided was more than 40% below the expected amount.

We reviewed a sample of 25 City nonprofit contracts across 8 departments to determine if the nonprofits organizations met all the performance expectation goals. For 19 (76%) of the 25 contracts, the nonprofit organizations did not meet the goals for one or more performance expectations.

Exhibit 2: Nonprofit organizations did not meet one or more of the performance expectations for 76% of the contracts we reviewed

Contracts	Percentage	Results
19	76%	The nonprofits did not meet one or more performance expectations
6	24%	The nonprofits met all performance expectations

Source: ACAO analysis of nonprofit organization funding reports, May 2026

Performance expectations include both output and outcome expectations. Outcome and output expectations help the City to understand how well the nonprofits are delivering family and social services. Specifically:

- **Output expectations:** These show what the nonprofit did. They help the City see what services were delivered and spot any gaps in service. For example, output expectations can show how many clients received services or how many classes the nonprofit held.
- **Outcome expectations:** These show the impact of the services provided. They help the City understand whether the money spent on family and social services is improving people's lives. For example, outcome expectations can show whether health services helped clients improve their mental or physical health or make progress toward their goals.

We reviewed 151 annual output and outcome performance expectations, which had clearly defined expectations in the contracts we sampled. We found that the nonprofit organizations did not meet 67 (44%) of the expected output and outcome performance expectations. This included 52 (45%) of the 115 output and 15 (42%) of the 36 outcome performance expectations.

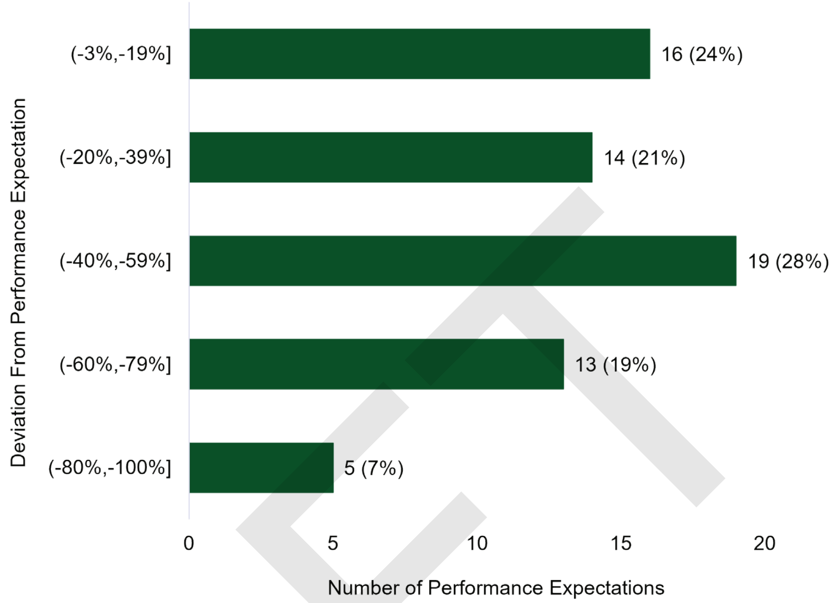
Exhibit 3: Of the contracts we reviewed, nonprofits did not meet 67 (44%) of the output and outcome performance expectations

Department overseeing the contract	Outputs met	Outputs not met	Outcomes met	Outcomes not met	Total
Development Services		1			1
Public Health	4	3			7
Public Health		3	1		4
Public Health	2	4	1	1	8
Public Health		5	2		7
Public Health	3		1		4
Public Health	2	6			8
Public Health		2	1	1	4
Public Health		2			2
Public Health	4		3		7
Public Health	1	1			2
Public Health	2	1		1	4
Community Court	5	1		2	8
Community Court	7				7
Economic Development	3	2	1	1	7
Economic Development		2		1	3
Emergency Medical Services		3	3	2	8
Housing	2				2
Homeless Strategies and Operations	1	3	1		5
Homeless Strategies and Operations	2	4	1	1	8
Homeless Strategies and Operations	1	7	1	2	11
Homeless Strategies and Operations	4	1	1	1	7
Homeless Strategies and Operations	12	1	4	2	19
Management Services	7				7
Management Services	1				1
Total	**63**	**52**	**21**	**15**	**151**

Source: ACAO analysis of nonprofit organization funding reports, May 2026

Of the 67 unmet performance expectations that we reviewed, there were significant deviations between what was expected and what the nonprofits provided. Based on the review, the deviations ranged from 3% to 100%. For example, one nonprofit agreed to serve 907 clients in a year and actually served 573 clients. About 76% of what was provided was at least 20% below what was expected, and 55% of what was provided was more than 40% below the expected amount.

Exhibit 4: For 67 unmet performance expectations, there were significant deviations between the performance expectations and what the nonprofit organizations provided



Source: ACAO analysis of nonprofit organization funding reports, May 2026

<u>For the majority of the contracts we reviewed, the City does not enforce consequences that would motivate nonprofits to meet their performance goals</u>. For most of the contracts we reviewed, the City uses a cost-reimbursement model, which means nonprofits are reimbursed for their expenses even when they do not achieve the expected results. For many of the contracts we reviewed, the City paid costs such as salaries, travel, and other operating expenses for program staff. Although nonprofits must explain why they missed their targets, there are no consistent corrective actions or penalties in place to encourage better performance. As a result, the City fully paid nonprofits that did not meet most of their performance expectations. Exhibit 5 provides two examples of contracts where the City paid the full amount even though the nonprofits did not meet most of their performance expectations.

Exhibit 5: Performance expectations and variances for two contracts paid in full

Contract 1 - Nonprofit did not meet 6 of the 7 performance expectations

Performance expectations	Annual goal	Actual performance	Difference	% Variance	Key challenges reported by the nonprofit
Unduplicated clients served	907	573	-334	-37%	• Staffing challenges • Clients' unwillingness to provide information on race/ethnicity and eligibility documents • Tracking of performance numbers
Number of individuals making progress on their plan goal(s)	385	205	-180	-47%	
Number of individuals evaluated for progress on their plan goals(s)	453	207	-246	-54%	
Percent of individuals making progress toward their treatment plan goals	85%	99%	14%	17%	
Number of individuals with improved mental health status	362	73	-289	-80%	
Number of individuals "initially" evaluated with a standardized assessment	453	142	-311	-69%	
Percent of individuals whose mental health status improves	80%	51%	-29%	-36%	

Contract 2 - Nonprofit did not meet 3 of the 4 performance expectations

Performance expectations	Annual goal	Actual performance	Difference	% Variance	Key challenges reported by the nonprofit
Unduplicated clients served	231	125	-106	-46%	• Staffing challenges • Fear clients have in accessing healthcare or direct assistance due to their identities
Number of individuals who report improvement in physical, mental, emotional, or social functioning	184	115	-69	-38%	
Number of individuals receiving services through Health Equity Social Service Contracts	231	120	-111	-48%	
Percent of individuals who achieve healthy outcomes	80%	96%	16%	20%	

Source: ACAO analysis of nonprofit performance and funding reports, May 2026

<u>Some nonprofits expressed concerns related to the City's contracting practices for family and social services</u>. We visited five nonprofits and reviewed supporting documents for seven contracts to see whether the performance information they reported to the City was accurate. Overall, the performance information nonprofits shared with us matched what they reported to the City. During our site visits, nonprofit staff also raised concerns about the performance expectations they are required to track, the reporting process, and the clarity of the City staff's communication.

Exhibit 6: Nonprofits' concerns relating to the City's contracting practices for family and social services

Areas of concern	Perceptions from nonprofits
Performance expectations	• Staff from one nonprofit said that some of the performance expectations are written in such a way that the nonprofits cannot meet them. • Staff from one nonprofit said that they have a challenge of finding unduplicated clients.
Reporting	• Staff in one nonprofit said that there are a lot of lags and delays. The City may not publish contract information in the system until well into the contract, as late as the end of the second quarter, which leads to back-end reporting.
City's communication practices	• There are differences in communication based on the department staff they work with. • When nonprofits flag issues, changes are only implemented during the time when new contracts are executed.

Source: ACAO analysis of interviews with nonprofits, May 2026

According to best practices, at the end of a contract period, agencies should evaluate the vendor's performance and their own method of monitoring the vendor.

<u>The departments do not usually conduct or document evaluations of nonprofit performance once a contract ends.</u> Even when departments do complete evaluations, they do not share results with other departments that may work with or plan to work with the same nonprofit. Departments also do not assess whether the services provided offered good value to the City. Without these evaluations, the City may not have a clear insight into how well each nonprofit performed and whether they met expectations. As a result, the City risks renewing or awarding contracts to organizations with known performance problems.

Departments do complete a contract closeout checklist, which records whether the nonprofit delivered the required services, whether the City received those services, and whether any issues or payments remain unresolved. While this checklist provides a basic status of contract completion, it does not provide a deeper assessment of performance. A more robust post-contract review would assess the quality of the nonprofit's work, determine whether deadlines were met, verify compliance with key contract terms, and evaluate how effectively the nonprofit addressed any instances of noncompliance. Such evaluations would give the City a clearer picture of performance and strengthen oversight of contracted services.

Recommendations and Management Response

1

To ensure the City makes informed decisions when initiating nonprofit contracts and grants, the City Manager should identify a lead department to:

- Require City departments to evaluate and document the performance of nonprofit contractors and grant recipients, including assessing the quality of the work and how effectively the nonprofit addressed instances of noncompliance
- Establish the evaluation criteria and communicate the criteria to departments
- Determine how the results from the performance evaluations should be used for future nonprofit contracts and grants and clearly communicate that guidance to departments
- Implement a way for departments to share post-contract performance evaluations with other departments

Management Response: Agree

Proposed Implementation Plan and Date: See management memo below

2

In conjunction with the recommendations from the 2019 social service contract process audit and to ensure that the City safeguards public funds and residents receive expected services for nonprofit contracts and grants, the City Manager should identify a lead department to:

- Evaluate the City's current contracting model for family and social services and implement ways to encourage nonprofits to meet expectations
- Communicate the identified changes to all applicable City departments
- Provide periodic review to ensure that department staff apply implemented changes

Management Response: Agree

Proposed Implementation Plan and Date: See management memo below

Management Response

Austin

MEMORANDUM

To: Jason Hadavi, Austin City Auditor

From: T.C. Broadnax, Austin City Manager

Date: July 14, 2026

Subject: **Nonprofit Contract Performance Management – Management Response**

The purpose of this memorandum is to provide the City Manager's response to the Nonprofit Contract Performance Management Audit – July 2026.

Overview

Management generally agrees with the findings of the Nonprofit Contract Performance Management Audit. The scope of the audit aligns with the City's currently underway comprehensive review of family and social service contracts relating to services provided exclusively by Nonprofit organizations.

For awareness, there are four adjacent directives relating to the scope of work of this audit:

- Procurement Shared Services Optimization initiated in September 2025
- Grants Shared Services Optimization initiated in September 2025
- Social services reset initiated in November 2025
- City Procurement updates, in accordance with Resolution 20260521-052 adopted by the City Council in May 2026

Each initiative is viewed through a collective lens focused on ensuring efficiency, transparency and accountability for use of taxpayer dollars. Most important to this effort is ensuring residents are receiving the services outlined and funded in these agreements.

Relative to this work and challenging these specific initiatives has been the subjective definition of grants and social services contracts dating back several years. While the law around contracting is well-established, there is no equivalent existing State or Federal statute which outlines consistent grant requirements, only that uniform conditions for financial assurances are required (Texas Government Code Chapter 783). Grant conditions are then governed and prescribed by the grantor agency, often the State or Federal government. The City of Austin is the grantor agency for the outlined City grants (Attachment A) and therefore must set the scope and performance expectations for its grantees.

Management Response

Date: July 14, 2026
Subject: Nonprofit Contract Performance Management – Management Response

For purposes of management's response and forthcoming changes to the Procurement Manual, the Grants Standard Operating Procedures, and related documents, the following serves as the City's guiding definitions for these recommendations and actions, informed by industry's best practices and law and working with the City Attorney's Office, the Austin Financial Services Procurement Division and the Austin Government Relations Grants Division:

- **Grants** – including **Grant Funding** and **City Grants**.
- **Grant Funding** – Agreements where the City (Grantee) receives funds from another party (Grantor) to enable the City to provide or acquire goods and/or services to benefit the City or <u>Austinites or a subgroup of Austinites</u>. *Example: FEMA BRIC grant to build flood infrastructure.*
- **City Grants** – Agreements where another party (Grantee) receives funds from the City (Grantor) to enable the Grantee to provide or acquire goods and/or services to benefit the Grantee or Austinites or a subgroup of Austinites, but not the City (no direct benefit to the City). *Example: ACME Local Creative Community grants.*
- **Contracts** – Agreements, where the City expends funds with another party (Contractor), in exchange for goods and/or <u>services provided to the City for City use.</u> *Example: Construction of the Wishbone bridge. Operating a City-owned homeless shelter.*
- **"Social Service" Contracts** – Contracts where the Contractor <u>provides services to Austinites, on the City's behalf</u> (directly benefitting the City). When the City is obligated, by law or established policy adopted by the City Council, to provide certain services to Austinites or subgroups of Austinites but chooses to use a Contractor to provide these services, the Contractor's work constitutes a direct benefit to the City. These agreements are fee-for-services contracts and are not and should not be considered a City Grant. The work is considered a direct benefit to the City because the Contractor is helping the City to meet its obligation / policy to provide these services. Management recommends eliminating this distinction.

Audit Recommendation
To ensure the City makes informed decisions when initiating nonprofit contracts and grants, the City Manager should identify a lead department to:

- Require City departments to evaluate and document the performance of nonprofit contractors and grant recipients, including assessing the quality of the work and how effectively the nonprofit addressed instances of noncompliance
- Establish the evaluation criteria and communicate the criteria to departments
- Determine how the results from the performance evaluations should be used for future nonprofit contracts and grants and clearly communicate that guidance to departments
- Implement a way for departments to share post-contract performance evaluations with other departments

Management Response: Agree

Proposed Implementation Plan
Management agrees the performance of Nonprofit organizations and recipients of taxpayer dollars should be more effectively monitored, including addressing instances of noncompliance.

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Management Response

Date: July 14, 2026
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The City does not distinguish contracts by business type (such as nonprofit, sole proprietorship, or LLC). All vendors awarded a contract through Austin Financial Services (AFS) Central Procurement are required to meet the same requirements and are held to the same terms and conditions. However, some City departments have worked directly with nonprofits under contracts solicited and executed exclusively within the department. These contracts have been authorized under Administrative Bulletin 03-01.

Based on the results of prior audits and the current Nonprofit Performance Management Audit, the following actions are underway:

Contracts

- Update the Procurement Manual to include industry-driven definitions for contracts and grants, including expanding the use of the Contractor Performance Evaluation (CPE) Program in a manner that aligns with recommendations. To implement this expansion, AFS Central Procurement is developing enhanced procedures, templates, and training materials that will extend the current CPE program beyond the Capital Procurement Division to all City contracts, not only those executed and administered by Central Procurement. This comprehensive improvement is designed to fully address all audit recommendations and will establish a standardized, consistent mechanism for reviewing prior contractor performance before awarding new contracts to existing vendors.
- Establish criteria and procedures for the solicitation of social services through Austin Financial Services, consistent with current statute and industry best practices, as well as criteria for performance evaluation of contracts for accountability and noncompliance. This work is being performed in concert with Austin Budget and Organizational Excellence and will be incorporated into the Procurement Manual.
- Centralize compliance for department-managed contracts, including contracts *for social services*, within Austin Financial Services for proper separation of duties between department-managed contracts and compliance reporting.

Grants

- Update the Grants Standard Operating Procedures (SOPs) to include industry-driven definitions for contracts and grants (City as a grantee). The Procedures will include consistent evaluation criteria and performance reporting standards, including but not limited to, accountability for noncompliance. The SOPs currently outline processes and procedures for departments as a grantee.
- Centralize compliance for grant agreements awarded by and to the City within Austin Government Relations for proper separation of duties between department grant management and grant compliance reporting.

By establishing clear criteria and guidance to departments and vendors, and centralizing appropriate functions within the lead departments, Austin Financial Services and Austin Government Relations, management will have a sightline across contracts for solicitation,

Management Response

Date: July 14, 2026
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performance and compliance, resulting in improved management and reporting, and reduced duplication of services and dollars.

Austin Financial Services Contracts*	Departments	Austin Government Relations Grants*
Solicitation of contract	Management of scope and dollars	Acquisition of grant
Monitoring of contract		Monitoring of grant
Compliance for contract		Compliance for grant

**Each of these steps involves collaboration with the appropriate department.*

Proposed Implementation Date: Management proposes updated materials, training and ongoing implementation of new and amended contract processes within the Procurement Manual by early 2027. This schedule aligns with previously planned initiatives, including rollout of a new e-procurement system and completion of a shared services review, both currently expected in 2nd Quarter FY27. If delays occur in either of these projects, the timeline for updating the Procurement Manual may be extended into late 2027. A preliminary assessment will be completed by June 2027 to determine how the process is being implemented and amended accordingly, up to and including centralizing all contract work in Austin Financial Services. Grants Standard Operating Procedures for all departments will be updated by January 1, 2027.

Update to the following administrative governing documents will be completed by February 1, 2027

- Austin Procurement Manual
- Administration Bulletin 03-01 Delegation of Signature Authority
- Administration Bulletin 84-07 Purchasing and Contracting Authority
- Grants Standard Operating Procedures
- Related procedures and guidelines

Audit Recommendation
To ensure that the City safeguards public funds and residents receive expected services for nonprofit contracts and grants, the City Manager should identify a lead department to:

- Evaluate the City's current contracting model for family and social services and implement ways to ensure nonprofits meet expectations
- Communicate the identified changes to all applicable City departments
  Provide periodic review to ensure that department staff apply implemented changes

Management Response: Agree

Proposed Implementation Plan
Management agrees the City must safeguard public funds relating to expected services for nonprofit contracts and grants. The City is currently undergoing a review of family and social services contracts and dollars expended. Essential to this assessment is establishing a consistent and transparent process for both the City and the vendor.

Management Response

Date: July 14, 2026
Subject: Nonprofit Contract Performance Management – Management Response

Based on the results of prior audits and the current Nonprofit Performance Management Audit, the following actions are underway:

Contracts

- Establish criteria and procedures for the solicitation of social services through Austin Financial Services, consistent with current statute and industry best practices, as well as criteria for performance evaluation of contracts for accountability and noncompliance. This work is being performed in concert with Austin Budget and Organizational Excellence and will be incorporated into the Procurement Manual.
- Centralize compliance for department-managed contracts, including contracts *for family and social services*, within Austin Financial Services for proper separation of duties between department-managed contracts and compliance reporting.

Grants

- Establish citywide procedures for the notice of funding availability (grant) by a City department through Austin Government Relations, consistent with industry best practices.
- Establish criteria for evaluation of grants issued by the City, including accountability for noncompliance.
- Centralize compliance for grant agreements awarded by and to the City within Austin Government Relations for proper separation of duties between department grant management and grant compliance reporting.

By establishing clear criteria and guidance to departments and vendors, and centralizing appropriate functions within the lead department, Austin Government Relations, management will have a sightline across contracts for solicitation, performance and compliance, resulting in improved management and reporting, and reduced duplication of services and dollars.

Additional Observations
As noted in the City Social Service Contracting Process Audit – December 2019, some City regulations designed to ensure a fair and equitable contracting process for City procurements are not applicable to social service contracts. The competitive bidding requirement for government contracts does not apply to social service contracts due to an exemption in state and federal rules. Also, the City's Anti-Lobbying Ordinance is not applicable to social service contracting unless authorized by the City Council. Six of the seven peer cities surveyed during the 2019 audit stated that anti-lobbying rules apply to procurement of social service contracts. The City of Austin's current policy prevents award of these taxpayer dollars in accordance with procurement industry standards.

Consistent with a 2019 audit, management recommends applying a competitive bid requirement and Anti-Lobbying Ordinance to all solicitations and awards of taxpayer dollars. Staff will discuss changes to the current policy with the City Council and bring forward the appropriated action to amend the ordinance(s) for City Council consideration during FY27, should they be amenable. (City Social Service Contracting Process Audit – December 2019; City Council Resolution 20160128-068).

Proposed Implementation Date: October 1, 2027.

Management Response

Date: July 14, 2026
Subject: Nonprofit Contract Performance Management – Management Response

Next Steps
Management will continue to coordinate with the City Auditor on the implementation of these audit recommendations and related organizational changes. Should you have any questions, please contact Carrie Rogers, Government Relations Officer, at carrie.rogers@austintexas.gov.

cc:
Erika Brady, City Clerk
CMO Executive Team
Carrie Rogers, Austin Government Relations Officer
Departments Directors

Appendix: Attachment A

Management Response

Attachment A – Contracts and Grants *Examples*

Good or Service example	Current Practice	Proposed Process	Department
Operation of a homeless shelter	City Grant / Social Services Contract	Contract	AFS + Dept
Eviction legal assistance	City Grant / Social Services Contract	Contract	AFS + Dept
Behavioral health services	City Grant / Social Services Contract	Contract	AFS + Dept
Language interpretation services	City Grant / Social Services Contract	Contract	AFS + Dept
Ryan White federal grant subrecipient	City Grant / Social Services Contract	Contract	Dept + AGR
Mural light to Six Square District	City Grant	City Grant	Dept + AGR
Local Creative Community grant: Austin Live Music Fund, Elevate, Heritage Preservation Grant, and Thrive	City Grant	City Grant	Dept + AGR

Scope

The audit scope included the City family and social service contract management activities and practices during fiscal years 2025 and 2026.

Methodology

To complete this audit, we performed the following steps:

- interviewed staff in multiple departments including Austin Financial Services, Austin Public Health, Austin Community Court, Austin Housing, Austin Arts, Culture, Music, and Entertainment, Austin Development Services, Austin Economic Development, Homeless Strategies and Operations
- reviewed the City's contract management documents including the Procurement Manual
- analyzed expenditures of nonprofits for fiscal year 2025
- reviewed nonprofit contract documents
- reviewed nonprofit performance expectation reports. The team also independently obtained reports from the Austin Public Health contracts performance tracking tool
- reviewed a sample of 24 randomly selected contracts for family and social services. We also included two judgmentally selected contracts as a result of risks we became aware of during the audit for a total of 26 sampled contracts and assessed the sampled nonprofits' compliance with applicable performance expectations. Due to the sampling method, the results cannot be subjected to the population.
- conducted on-site review of 5 nonprofits
- reviewed best practices and guidance for contract management
- evaluated risk of fraud and abuse related to the City's management of nonprofit contracts
- evaluated internal controls related to the City's nonprofit contract management efforts and practices

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Austin City Auditor's Office was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

Audit Team
Kathie Harrison, Audit Manager
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City Auditor
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