

**STATE OF NEW JERSEY
DEPARTMENT OF CHILDREN AND FAMILIES**

DEPARTMENT POLICY: DCF.P4.10-2007

EFFECTIVE DATE: August 31, 2007

SUBJECT: **Advance Payments**

I. PURPOSE

The purpose of this policy is to advise department personnel and provider agencies of policies and procedures to be followed in determining the need for an authorization of an initial advance payment.

II. SCOPE

This policy applies to all contracts.

III. DEFINITION

Initial Advance Payment is the first payment made by check or other appropriate payment mechanism to a provider agency during the contract term before expenses are incurred or services rendered.

IV. POLICY

- A. The department will not issue initial advance payments prior to the contract effective date. An initial advance payment cannot be issued prior to the execution of the contract.
- B. If an initial advance payment is issued, it will be based on one month's estimated expenditures. The payment will be made as negotiated and only after the start of the contract term. The department reserves the right not to authorize an initial advance payment.
- C. Under extreme conditions and upon approval of the DCF Chief Financial Officer, the departmental component may issue an initial advance payment greater than one month

V. PROCEDURES

- A. When a provider agency requests an initial advance payment greater than one month, request must be made one month in advance of the need and in writing, with sufficient justification. The initial advance payment may equal 2 months of the Contract's estimated expenditures provided that the DCF CFO authorizes the payment.

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- B. If an initial advance payment is issued, the advance shall:
1. Not exceed a contract's monthly estimated expenditures; unless an exemption per paragraph V.A. has been granted.
 2. Not exceed the contract ceiling when added to all other estimated monthly contract expenditures.
- C. All contract payments (initial and interim) shall be deposited in an interest bearing account until the funds are expended for operating costs, unless:
1. The contract is for less than \$120,000; or
 2. The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on the cash balances; or
 3. The depository would require an average or minimum balance so high that it would not be feasible within the expected cash resources.
- D. Interest earned on an advance in any year of a contract term in excess of \$250 shall be remitted to the appropriate departmental component.

Commissioner