

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

DEPARTMENT POLICY: DCF.P1.50-2007

EFFECTIVE DATE: August 31, 2007

REVISED: September 1, 2012

SUBJECT: **Two-Year Contracting**

**I. PURPOSE**

The purpose of this policy is to establish the policy and procedures for implementing two-year Contracts.

**II. SCOPE**

This policy applies to all DCF Contracts designated by the Departmental Component as eligible for two-year terms.

**III. POLICY**

A. Except in those circumstances outlined in Section B below, social services Contracts in DCF may be executed for two-year terms.

Two-year Contract terms have the advantage of:

1. Increased administrative simplicity for the Department and for the Provider Agencies, and
2. Greater stability for Provider Agencies in planning for service delivery and funding needs.

B. The decision to implement two-year Contract terms with specific Contracts will be made by the Departmental Component. In making such decisions, the factors listed below will be considered.

1. New Contract Provider Agencies will not be given two-year terms in their first year of funding.
2. Provider Agencies with identified contracting/management problems will not be given two-year Contract terms. Contracting/management problems may be identified by a Contract audit report, Pre-Award Survey, or by a Division monitoring report.

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- C. Provider Agencies which have two-year Contract terms will receive equitable treatment from the Division with regard to all funding increases available or decreases required. The fact that a Provider Agency has a two-year Contract will not penalize that Provider Agency if additional funding is available for Contract services. Similarly, in the case of a reduction in funding, a Provider Agency with a two-year term will be as vulnerable to any necessary Contract reductions as a Provider Agency with a one-year term.
- D. The process for receiving and considering recommendations from the county planning bodies will be the same for two-year Contracts as for one-year Contracts.

**IV. PROCEDURES**

A. Contract Document for Two-Year Contracts

The Contract documents for a two-year Contract will consist of the following items:

- 1. Standard Language Document - A two-year Contract will have a single Standard Language Document for the two-year term. On the signature page of the Standard Language Document, the Contract effective date and the Contract expiration date will indicate the two-year Contract term.
- 2. Programmatic Annex - A single programmatic annex (Annex A) will be prepared and will include information which is applicable to the full two-year Contract term. Specifically, items in the Annex A which shall be written to include two-year data are: Contract term, Contract level of service delivery, service days, number of clients to be served, and the goals and objectives.
- 3. Fiscal Annex - The fiscal annex (Annex B, and/or Annex B-2) of a two-year Contract will cover the full term of the Contract. Special considerations for preparation of the fiscal annex are outlined below.
  - a. For Cost-Related Contracts
    - i. Annex B (Budgets)

In accordance with the policies and procedures of the Contract Reimbursement Manual, there will be at least two budgets for a two-year Contract. The total number of budgets required will depend on the Provider Agency's fiscal year in relation to the Contract term.

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(See Section 5 of the Contract Reimbursement Manual for additional information.) All budgets for a two-year term will be submitted simultaneously by the Provider Agency during the Contract negotiations.

Each budget must reflect its proportionate share of all Contract costs, applicable to the particular budget period. A budget may be modified during the Contract term, as outlined in Section IV.D.2 of this policy and in accordance with DCF.P1.10 Contract Modification.

ii. Cover Page for Annex B

For the sake of clarity, a cover page for the Contract Annex B shall be prepared which specifies:

- (1) The budget period and Reimbursable Ceiling for each budget of the Contract;
- (2) The Contact term (2 years); and
- (3) The aggregate Reimbursable for the Contract, i.e., the sum of the Reimbursable Ceilings for the Contract budgets.

iii. Schedules of Estimated Claims

Separate estimated monthly claims shall be projected by the Provider Agency reflecting each budget submitted for the Contract term.

b. For Contracts Paid on a Rate

A single Annex B-2 will be completed by the Division at the beginning of the Contract term and will be effective for the full two-year Contract term unless revised by a Contract Modification. If the Contract has a maximum funding amount, this amount will be included for the two-years and specified in the Annex B-2. This amount will also be reflected in the Annex B for a Cost-Related Contract which is paid on a rate.

c. Supporting Documentation

Supporting documentation for the fiscal Annex shall be submitted by the Provider Agency during Contract negotiations and, if appropriate, will be included as attachments to the fiscal Annex. Such supporting

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documentation includes, but is not limited to, the Provider Agency's most recent audited financial statements, organizational structure of the Provider Agency, and donor agreements.

In cases in which supporting documents are not available for the full two-year Contract term, such documents may be submitted to the Division during the Contract term, as permitted by the Division. Specifically, with regard to execution and submission of donor agreements during the Contract term, refer to Policy DCF.P6.01, Match Requirements for Social Services Block Grant Service Contracts.

**B. Division Documents**

The following Contract documents used by the Division shall be completed as indicated, for a two-year Contract.

**1. Transmittal Letter**

At the beginning of a two-year Contract, the Departmental Component shall issue a transmittal letter to the Provider Agency which states:

- a. The aggregate Reimbursable Ceiling for a Cost-Related Contract; and
- b. the Payment Rate and, if applicable, the maximum Contract funding, for a Non-Cost-Related Contract.

**2. Contract Information Form (CIF)**

The Departmental Component will complete a single CIF for the full two years of the Contract term, using the aggregate Contract Reimbursable Ceiling to identify the Division's funding obligation.

**C. Advance Payment**

The amount of the advance payment available under a two-year Contract will be the Contract's first two months' estimated claim. (See Policy DCF.P4.10, Advance Payments, for additional information.) Advances will be issued at the beginning of the two-year Contract term and recouped, according to Department procedures, throughout the Contract term.

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D. Budget Flexibility for Cost-Related Contracts

In a two-year Contract, flexibility between/among budgets in the Contract will be allowed within limits described below.

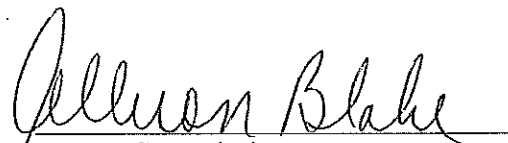
1. Overspending

A Provider Agency will not be allowed to overspend in the Contract.

2. Underspending and Carry-Forward Amount

If a Provider Agency underspends a budget in the first year of the two-year Contract, the unspent amount may **not** be carried forward to the budget of the second year of the Contract. The exception to this policy is if State or Federal rules governing the use of the funds allocated to the contract permit a carry-forward. The Provider Agency must submit a request for a Contract Modification **and** obtain Departmental Component approval in order to carry forward unspent funds.

Approval for the Contract Modification will be granted by the Departmental Component only if the modification is justified and appropriate. Prior to submitting a Contract Modification, the Provider Agency shall ensure that sufficient funds remain in the expiring budget to cover all applicable expenses of that budget period.

  
Commissioner