

**STATE OF NEW JERSEY  
DEPARTMENT OF HUMAN SERVICES**

- SUBJECT:** Advance Payments
- EFFECTIVE:** This policy circular shall become effective on June 1, 1997, and shall be implemented as new Contracts commence or existing Contracts are renewed thereafter.
- PROMULGATED:** June 1, 1997
- SUPERSEDES:** Policy Circular P4.10, promulgated July 1, 1988.

The purpose of this circular is to advise Department personnel and Provider Agencies of policies and procedures to be followed in determining the need for and authorization of an Initial Advance Payment.

I. SCOPE

This circular applies to all Contracts.

II. DEFINITION

Initial Advance Payment means 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 are provided.

III. POLICY

- A. The Department shall not issue Initial Advance Payments prior to the Contract effective date. An Initial Advance Payment shall also not be issued before the Contract has been signed by both parties.
- B. If an Initial Advance Payment is issued, it shall be based on one month's estimated expenditures. The payment will be made as soon as possible after the start of the Contract term. The Department reserves the right not to authorize an Initial Advance Payment.
- C. The Departmental Component may issue an Initial Advance Payment greater than one month, when it is determined, via the procedures section of this circular, that a larger advance amount is necessary to prevent a Provider Agency from incurring cash flow problems.
- D. Each Departmental Component shall develop internal criteria based on its operational functions and funding source(s) that will be used to evaluate any Provider Agency request for an Initial Advance Payment greater than one month. Provider

Agencies may contact the appropriate Departmental Component for the criteria.

IV. PROCEDURES

- A. Whenever a Provider Agency requests an Initial Advance Payment greater than one month in accordance with criteria developed by each Departmental Component, it shall request the advance, in writing, with sufficient justification. The Initial Advance Payment may equal 2 months of the Contract's estimated expenditures provided that the Departmental Component chief executive or his/her designee authorizes the request.
- 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 IV.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 or utilized within the contracted program(s) at the discretion of the Departmental Component.

Issued by:

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