

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

SUBJECT: Contract Closeout

EFFECTIVE: This policy circular shall become effective on July 15, 2001, and shall be implemented immediately.

PROMULGATED: July 15, 2001

SUPERSEDES: Policy Circular P7.01, promulgated July 1, 1988.

The purpose of this circular is to establish Department of Human Services policy for Contract closeout.

I. SCOPE

This policy circular applies to all Contracts.

II. DEFINITIONS

In addition to the defined terms included in the Glossary of the Manual, the following terms, when capitalized, shall have meanings as stated:

Days means calendar days

Disallowed Costs means those charges to a Contract that the Departmental Component determines to be unallowable in accordance with applicable cost principles, Departmental Component policies or other conditions contained in the Contract.

Expiration means the cessation of the Contract because its term has ended.

Final Contract Closeout means the process by which the Departmental Component determines that all applicable administrative actions and all required work of the Contract have been completed by the Provider Agency and the Departmental Component.

Preliminary Contract Closeout means the process whereby a Departmental Component reconciles the amount of funding paid to a Provider Agency during the Contract term against the

Final Report of Expenditures (FROE) or the latest Report of Expenditure (ROE) submitted by the Provider Agency to the Departmental Component.

Termination means an official cessation of a Contract, prior to the Expiration of its term, that results from action taken by the Departmental Component or the Provider Agency in accordance with provisions contained in the Contract.

III. POLICY

- A. Contract closeout shall be accomplished through a combination of a Preliminary Contract Closeout and a Final Contract Closeout, or solely by Final Contract Closeout.
- B. Preliminary Contract Closeout shall occur upon receipt of the FROE; or, if applicable, any Contract performance report(s) which is due at the Departmental Component within 120 Days of Contract Expiration or Termination. If the required report(s) has not been received within the 120 Days, the Departmental Component may utilize the last Report of Expenditures (ROE) and performance report(s) received as the basis for Preliminary Contract Closeout.
- C. Final Contract Closeout shall occur as promptly as feasible after Contract Expiration or Termination. This includes, but is not limited to, recognition of performance incentives or sanctions; review of the services delivered during the Contract; disposition of Department of Human Services Policy Circular P1.10 violations, if any; and settlement of any findings or review associated with the Provider's audited financial statements or a Department of Human Services audit.
- D. Preliminary Contract Closeout or Final Contract Closeout shall not affect or in any way restrict the application of the Contract's provisions with regard to the retention period for, or Department rights of access to, Contract records.
- E. At the time of Contract closeout, the Provider Agency shall ensure that, when applicable, all expenditures reported represent costs and services, which are allocable to the Contract, and that the costs and services are not attributable to a predecessor or successor Contract.

- F. Division-specific policy circulars may be promulgated by Departmental Components to provide division specific procedure(s) to augment this policy circular, but the procedures may not limit, contradict, replace or amend the conditions or intent of this policy circular.

IV. PROCEDURES

A. Preliminary Contract Closeout

The Provider Agency shall submit to the Departmental Component within 120 Days of the end of the final Contract quarter the latest performance reports, FROE/ROE or other reports required by the terms and conditions of the Contract.

B. Final Contract Closeout

The Provider Agency shall submit to the Department of Human Services, within 120 Days after Contract Expiration or Termination, all financial, audit, performance, and/or other reports required by the terms and conditions of the Contract.

C. General Requirements

1. After the required reports are received, the Departmental Component shall make a financial settlement including any payment adjustment(s) as may be authorized by the terms and conditions of the Contract. The Departmental Component may consider audited financial statements, reconciliation schedules, DHS policy P1.10 compliance reviews, level of service (LOS) reports and receipt verification of donor matching funds in completing Contract closeout.
2. The Departmental Component shall promptly pay the Provider Agency for any amount due, but as yet unpaid for the provision of Contract services.
3. The Provider Agency shall promptly refund to the Departmental Component any amount determined to be an overpayment, which the Departmental Component has not authorized for retention by the Provider Agency in the current Contract or in a successor Contract.
4. Upon Contract Termination or Expiration without renewal, the Provider Agency shall account for any

Equipment acquired with Contract funds, in accordance with Policy Circular P4.05, Equipment.

5. Upon Contract Termination or Expiration without renewal, the Provider Agency shall determine if there is a residual inventory of materials and supplies exceeding \$1000 in total aggregate Fair Market Value. If the materials and supplies are not needed in any other project or program currently or previously funded by the federal or State government, the Provider Agency may retain or sell the materials and supplies. In either case, the Provider Agency shall compensate the Departmental Component for its share in the value of the materials and supplies, which is calculated as the percentage of the DHS award to the total program expenses. If the Provider Agency chooses to sell the materials, the Provider Agency may reduce the Departmental Component's share of the sale proceeds by 10% for selling and handling expenses.

Issued by:



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