



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 15 – Contract Administration 4.3	EFFECTIVE DATE: 02/01/1993
TITLE: Contracts Required for Payment Generation	REVISION DATE: 06/26/2013
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

### BACKGROUND

DHS APP Section 1 – Business Standards 1.0 (Basic Standards for Financial Transactions – #6) requires that "for transactions requiring a contract, such contract has been fully executed (signed by the Department and Provider), and is on file within the Department." The Department's contract administration policies require the use of standard contracts established by Division of Enterprise Services (DES) and the Office of Legal Counsel (see Section 15 – Contract Administration 1.0).

If the BFS-CARS Unit receives requests to generate prepayments before a signed contract is on file, payments are held until the contracts are received or until the check/electronic payment date, when one of the exceptions listed below applies, whichever occurs first. The generation of payments in this manner requires manual intervention and additional controls.

### POLICY

The CARS Unit shall generate payment data or prepayments for those programs for which the Department has a signed contract on file. Appropriate documentation that the contracts have been signed by all parties shall be submitted to the CARS Unit prior to requesting that payments be generated. Exceptions to this policy shall be limited, adequately justified and conform to the exception criteria and procedures described below.

In addition, requests for the first payments may be based on a fiscal schedule approved by the program division and BFS staff in special circumstances following the procedure below.

### Exceptions

Prepayments generated prior to receipt of signed contracts **may** be made if:

1. DHS has an ongoing contractual relationship with **all** agencies receiving payments under the contract;
2. All contracts are reasonably expected to be signed prior to the first scheduled payment;
3. DHS can reasonably expect to recover any payments made in error from other payments due the agencies; and
4. The contracting division agrees that if a signed contract with the agency is not received by the payment date, the **entire** payment to the agency may be delayed.

If exceptions are granted in special circumstances with written approval by BFS, contract information may be entered following the procedures below.

## **PROCEDURES**

1. Requests to enter payment data or generate payment before the receipt of signed contracts require written justification and approval by the requesting Division Administrator. Requests will be reviewed by the Deputy Director, Bureau of Fiscal Services.
2. Approvals, when appropriate, and denials shall be in writing and are to be forwarded to the requesting division, and the BFS-CARS Unit Supervisor, Bureau of Fiscal Services. The written denial shall explain why the payment cannot be generated in advance and will identify alternatives, when possible, to meet the objectives of the request.

Appeals of denied requests shall be to the Director, Bureau of Fiscal Services.

3. Aids Schedules—the first month's prepayments for some aids contracts and the State/County consolidated contract may be generated based on schedules approved by the contracting division and BFS (in some cases without signed contracts). The approval of the schedules by the contracting division indicates the division's agreement that lack of a signed contract may delay other payments to the agency.
4. A written request to enter contract information from a fiscal schedule and the draft or signed contract shall be submitted to BFS Expenditure Accounting Section Chief. Approval or denial of the schedule shall be communicated to the requesting division within 5 working days. The schedules only replace the signed contract and the listing of agencies contracted with for the purposes of data entry. Official signed contracts must still be secured. The schedules must be signed and dated by the appropriate division authority.
5. Signed contracts must be received by the division or Regional Office before payments are released. If signed contracts are not received timely, payments will be held unless a special exception is made by the DES Administrator.

## **REFERENCES**

[DHS APP Section 1 – Business Standards 1.0](#) (Basic Standards for Financial Transactions)  
[DHS APP Section 15 – Contract Administration 1.0](#) (Contract Administration for Aids/Grants)

## **CONTACTS**

[Deputy Director, Bureau of Fiscal Services](#)

[CARS Accountants](#)

[Expenditure Accounting Section Chief](#)