



## State of New Jersey

DEPARTMENT OF CHILDREN AND FAMILIES

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

ALLISON BLAKE, PH.D., L.S.W.  
*Commissioner*

December 7, 2010

Dear Provider,

As you know, effective July 1, 2010, the Department of Children and Families (DCF) implemented a number of Amendments for Third Party contracts. Because the Amendments were not finalized until mid-July, DCF conditionally renewed its July 2010 Third Party contract renewals and notified providers it would adapt its budget forms to accommodate the Reforms. Over the past few months, DCF has internally reviewed a number of draft changes to its Annex B document and recently shared those changes with DCF's Contract Reform Workgroup, which includes provider representatives, and with the financial directors at a few provider agencies that contract with DCF. Based on the collective feedback from the provider representatives DCF consulted with, DCF is not prepared to enact any changes to its Annex B budget document at this time. DCF has posted two sample Annex B budgets on its website for providers to refer to for guidance on completing their budgets consistent with the Amendments.

The sample Annex B entitled "Sample Annex B Gross Revenue 20" assumes the agency's total revenue is greater than \$20 million dollars and identifies how salaries-both direct and G&A- should be charged to the DCF contract in order to comply with the Amendments' thresholds. It also assumes G&A is equally distributed across programs. The sample Annex B entitled "Sample Annex B Gross Revenue 5" assumes the agency's totally revenue is greater than \$5 million dollars and also shows how to document the salary for staff working part-time on a DCF funded contract. Both the sample Annex B budget and the Reforms are available at DCF's website: [www.nj.gov/dcf/contract](http://www.nj.gov/dcf/contract).

In order to resolve the July 2010 conditional renewals and to timely process the January 2011 renewals, DCF is proceeding as follows:

### **July 2010 renewals**

- DCF is individually reviewing each July renewal for compliance with the Third Party Contract Amendments

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- DCF has begun notifying providers by letter if their contracts have been fully renewed and no further action is required
- If a contract budget does not appear to comply with the Amendments, DCF will reach out to the provider directly for additional information to complete the renewal process
- Providers may be required to revise their previously submitted Annex B budget document

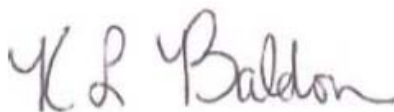
### **January 2011 renewals**

- Providers are to complete their DCF contracted programs on the **current Annex B form**, consistent with the sample version posted on DCF's website- costs charged to a DCF contract in excess of the Amendments' limitations are to be shown in "unallowable".
- For all employees charged directly to the contract, please indicate the number of hours each week the employee works for the DCF contracted programs.
- Providers are to complete DCF's Attestation Form, verifying that their submitted budget complies with the Amendments.

DCF has existing contract policy governing the information required to be included as part of an agency's budget and DCF is committed towards ensuring that all providers' budget documents are consistent with DCF policy. DCF policy requires providers to present true program costs, whether or not DCF is the sole source of funding for those costs; requires providers to submit full agency budgets if charging General and Administrative (G&A) costs to the contract; and policy permits providers to engage in voluntary cost sharing. DCF is examining its existing policies and will revise its Annex B budget document, as needed, to ensure consistency with policy. DCF intends to have its review and any revisions completed in time for July 2011 renewals.

Thank you for your continued work and advocacy on behalf of New Jersey's most vulnerable children and families.

Sincerely yours,



Karen L. Baldoni, Deputy Administrator  
DCF Business Operations