

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

DEPARTMENT POLICY: DCF.P7.01.2007

EFFECTIVE DATE: August 31, 2007

REVISED: September 16, 2019

SUBJECT: **Contract Closeout**

I. PURPOSE

The purpose of this policy is to establish Department of Children and Families (DCF) policy for the Contract Closeout process.

II. SCOPE

This policy applies to all DCF Contracts, with the exception of fixed-rate, fee-for-service Contracts.

III. DEFINITIONS

In addition to the defined terms included in the glossary of the manual, the following terms shall have meanings as stated:

Days are calendar days.

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

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

Final Contract Closeout is the process by which the Departmental Component determines that all applicable administrative actions and all required work of the Contract has been completed by the Provider Agency and the Departmental Component. This process includes reconciling the Final Report of Expenditures (FROE) with the Provider's audit and determining whether any funds need to be recovered.

Final Report of Expenditures (FROE) means the report of a Provider's actual expenditures for the full term of a Contract paid with scheduled payments. This report is compared to the approved budget for the full term of that Contract.

Preliminary Contract Closeout is the process whereby the 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

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Expenditures (ROE) submitted by the Provider Agency to the Departmental Component, and also the “final” process by which the Department of Children and Families determines that all applicable administrative actions and all required work of the Contract, with the exception of the final audit, have been completed by the Department and the Provider Agency.

Report of Expenditures (ROE) means the report of a Provider’s actual expenditures for a portion of the full term of a Contract paid with scheduled payments that is compared to the approved budget for the same portion of the full term of that Contract.

Termination is the official cessation of a Contract **prior** to the expiration of its term that results from action taken by the Department or the Provider Agency in accordance with provisions contained in the Contract.

IV. POLICY

- A. Preliminary Contract Closeout shall occur upon receipt of the FROE or any contract performance report(s) within the prescribed 120 Days of Contract Expiration or Termination.
- B. Final Contract Closeout shall occur nine (9) months after Contract Expiration or Termination. This includes, but is not limited to, a review of the deliverables, the disposition of any violations and, the settlement of any findings associated with the Provider Agency’s or Department of Children and Families’ audit(s).
- C. The Contract Closeout process shall not interfere with the provision of any contracted services.
- D. The Contract Closeout process can be used as a tool by the Provider Agency and Departmental Component to ensure that all reported expenditures represent costs and services that are allocable and applied only to the current Contract.
- E. Specific policies may be promulgated by Departmental Components to provide procedure(s) that augment this policy, but the procedures may not limit, contradict, replace, or amend the conditions or intent of this policy.

V. PROCEDURES

- A. Preliminary Contract Closeout

The Provider Agency shall submit the latest performance reports, FROE/ROE or other reports required by the terms and conditions of the Contract within 120 days of the expired Contract period.

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B. Final Contract Closeout

The Provider Agency shall submit all financial, audits, performance, and other reports required by the terms and conditions of the Contract within nine (9) months of the end of the final Contract quarter, Contract Expiration, or Termination.

C. General Requirements

1. After receipt of the final reports, the Departmental Component must complete a financial settlement, including any payment adjustment(s) as stated in the terms and conditions of the Contract. The Departmental Component should consider audited financial statements, reconciliation schedules, policy DCF.P1.10 compliance reviews, and level of service (LOS) reports.
2. The Departmental Component, **within 30 days** of the Contract Closeout process, shall pay the Provider Agency for any amount due for the provision of Contract services.
3. The provider agency, **within 30 days** of notice, shall refund any overpayment of funds as determined by the Departmental Component.
4. Upon Contract Termination or Expiration, the Provider Agency shall account for any Equipment acquired with Contract funds, in accordance with policy DCF.P4.05, Equipment.
5. Upon Contract Termination or Expiration, the Provider Agency shall provide a list of residual inventories of materials and supplies to the Departmental Component. The Departmental Component will determine if the residual inventory of materials and supplies exceeds \$1,000 in total aggregate fair market value. If the materials and supplies equal or exceed \$1,000 in total aggregate fair market value and are not needed in any other project or program currently funded by the federal or State government, the Provider Agency may, upon notification from the Departmental Component, retain or sell the materials and supplies. In any case, the Provider Agency will compensate the Departmental Component for its share in the market value of the materials and supplies. The fair share value calculated by the Departmental Component is the percentage of the DCF award to the total program expenses.