

	<b>County of Sacramento Department of Health Services Division of Behavioral Health Services Policy and Procedure</b>	Policy Issuer (Unit/Program)	Mental Health Services
		Policy Number	02-01
		Effective Date	08-01-07
		Revision Date	07-06-21
<b>Title:</b>  <b>Contract Advance</b>		<b>Functional Area:</b>  <b>Contract Administration</b>	
Approved By: <i>Signed version available upon request</i>  Melissa Jacobs, LCSW Division Manager, Mental Health Services  Kelli Weaver, LCSW Division Manager, Mental Health Services			

**Background/Context:**

Agencies currently contracting with the Division of Behavioral Health Services (BHS) are expected to have sufficient financial resources, and maintain compliance with Section XIX of the Contract Exhibit D, "Basis for Advance Payment". In accordance with Government Code 11019 (c) "A county may, upon determining that an advance payment is essential for the effective implementation of a program within the provisions of this section, and to the extent funds are available, and not more frequently that once each fiscal year, advance to a community-based private nonprofit agency with which it has contracted, pursuant to any applicable federal or state law, for the delivery of services...." And, in accordance with the Sacramento County Contract Manual Chapter 12, Section 12.01 "advance payments by the County are disfavored and should be authorized only when it is determined that an advance payment is essential for the effective implementation of a program."

**Purpose:**

This policy outlines the types of advances and the decision-making process for approving an advance for all County contracts.

**Definitions:**

- A. Program Startup Advance: A completely new program, or significant expansion of an existing program that requires staff training, remodeling,

equipment or other non-recurring costs not to exceed 10% of the annual contract maximum.

- B. Emergency Advance: Payment of a specified sum, not in excess of 10% of the annual contract maximum, to an agency that is experiencing an unusual, non-recurring financial issue. An Emergency Advance must include a written justification and a Plan of Correction.

**Details:**

**A. Program Startup Advances:**

1. Program Startup Advances may be approved when an agency implements a new program, and there are significant expenses required for service implementation, such as but not limited to staff training, remodeling, and equipment. A Startup Advance can be requested once per fiscal year, no later than the third quarter.
2. A detailed budget narrative is required for an advance of up to 10% of the Net Budget/Maximum Payment to the Contractor as indicated in the Exhibit C.
3. If approved, Program Startup Advances will not be processed for payment until full execution of the contract in question.
  - a. Advance Request Letter: This letter must be on agency's letterhead, and signed by their Board of Directors. The advance request letter must specify the Agreement number, and the amount of the request (Attachment 1 - Advance Request Letter Template).
  - b. Advance Request Written Justification: The justification must be attached to the Advance Request Letter and must accurately describe the expenses required for service implementation. It must include, but is not limited to, the three content areas noted below:
    - i. Summary - Describes the expenses required, and the agency's inability to meet these needs without an advance.
    - ii. Background Description - Describes the agency's current financial concern(s)/issues.
    - iii. Impact Statement - Describes what specifically may occur should the agency not receive an advance.

**B. Emergency Advance:**

1. Emergency Advance funds for an existing program(s) may be available to the Contractor at the sole discretion of the BHS Director or designee. An Emergency Advance payment is limited to one advance per fiscal year.
2. A detailed budget narrative is required for an advance up to 10% of the Net Budget/Maximum Payment to the Contractor as indicated in the Exhibit C, less the total amount reimbursed by County year to date.
3. Contractor must be in compliance with the terms and conditions set forth in the contract, including but not limited to Exhibit D Section XIX Basis For Advance Payment, and Section XX of the Agreement, Compensation And Payment Of Invoices Limitations.
4. Emergency Advance Funds are for an agency that is experiencing unusual financial challenges and/or financial instability. Examples of financial instability are an agency's inability to meet payroll demands, or to meet other financial obligations on a regular or routine basis.
  - a. Advance Request Letter: This letter must be on agency's letterhead, and signed by their Board of Directors. The advance request letter must specify the Agreement number, and the amount of the request (Attachment 1 - Advance Request Letter Template).
  - b. Advance Request Written Justification: The justification must be attached to the Advance Request Letter and must accurately describe the financial needs of the agency, the impact of these needs on the program, and efforts made to mitigate financial needs through alternative resources. It must include, but is not limited to, the four content areas noted below:
    - i Summary - Describes the financial needs of the agency, and its inability to meet these needs without an emergency advance.
    - ii Background Description - Describes the agency's current financial concern(s)/issues.
    - iii Impact Statement - Describes what specifically may occur should the agency not receive an emergency advance.
    - iv Plan of Correction - Describes a plan of correction developed by the agency to help prevent future financial instability. The

plan of correction is submitted to the designated Mental Health Contract Monitor at the time the request for emergency advance funds is submitted.

**C. Program Coordinator Actions:**

1. Reviews the request to ensure the above requirements are met. Obtains additional information as needed from the agency.
2. For Emergency and Program Startup advances: reviews the request and consults with the assigned Administrative Services Officer to review the program's budget and determine if they have enough money left in their contract.
3. Conducts an analysis of the request.
4. Using the analysis, provides recommendation and rationale for approval or denial to the designated Program Manager (Attachment 2 – Advance Request Written Justification).
5. Forwards request letter and analysis of the request to Division Manager.
6. Once the final decision is made by the BHS Director, provides the Contractor with the approval or denial of their request
7. Provides copies of the signed Approval letter to the Administrative Services Officer, Program Manager, Division Manager, Contracts Unit, and files electronically.

**D. Health Program Manager Actions:**

1. Reviews the request, analysis and recommendations.
2. Recommends approval/disapproval and submits the request to the Division Manager.

**E. Division Manager Actions:**

1. Reviews the request, analysis and recommendations. Consults with the BHS Director when indicated.
2. Recommends approval/disapproval and submits the request to the BHS Director.

**F. BHS Director Actions:**

1. Makes final decision, taking into account the team recommendations.
2. If request is not approved, returns the request to the BHS Program Coordinator/ Administrative Services Officer for Contractor notification.
3. If request is approved, returns the request to the BHS Program Coordinator/ Administrative Services Officer for processing.

**G. Advance Payment & Recouping:**

1. Advance requests must be received and approved by the 3<sup>rd</sup> quarter of the fiscal year.
2. An advance is processed for payment after the contract has been fully executed and/or approvals have been received. It may take up to 30 calendar days from date of approval, for provider to receive an advance payment.
3. For Program Start Up Advances at the beginning of the fiscal year, the County recoups the advance payment by deducting one-tenth of the advance amount from the contractor's monthly claim to the County, starting in the 3<sup>rd</sup> month of the contract in accordance with Exhibit D - Basis for Advance Payment.
4. Advance amounts occurring after the first quarter will be determined by taking the contractor's current balance divided by the remaining months of the fiscal year. Advance repayment will be recouped by dividing the Advance amount over the remaining months of the fiscal year. These payments will be deducted from the contractor's monthly claim.
5. The repayment schedule for an Emergency Advance may occur as early as the next invoicing cycle to ensure that the advance is fully paid prior to the end of the fiscal year.
6. Only one advance of any type may be granted during any given fiscal year. Adjustments to the advance amount for an Emergency Advance may be made in accordance with Exhibit C.

**Reference(s)/Attachments:**

Attachment 1 – Advance Request Letter Template

Attachment 2 – Advance Request Written Justification

**Related Policies:**

Contract Manual Section 12.01

Exhibit C Advance Language

Exhibit D Advance Language

**Distribution:**

Enter X	DL Name	Enter X	DL Name
X	County Mental Health Staff	X	Adult Contract Providers
X	Publish to Internet	X	Children’s Contract Providers
X	Publish to Intranet		

**Contact:**

[BHS-DHS@sacounty.net](mailto:BHS-DHS@sacounty.net)

**CONTRACT ADVANCE POLICY & PROCEDURE**  
**ADVANCE REQUEST TEMPLATE**

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**USE AGENCY LETTERHEAD**

Date of Request

Agreement Number

Sacramento County Department of Health Services  
Division of Behavioral Health Services  
7001-A East Parkway, Suite 300  
Sacramento, CA 95823-2501  
Attn: Name of Contract Monitor

**SUBJECT: Advance Request**

On behalf of, and under the authority of, the Board of Directors of **AGENCY NAME, Inc.**, I am requesting an advance payment for **PROGRAM NAME** in the amount of \$xxxx for fiscal year 20xx/xx. (Include a summary of the request only. Do not include written justification. The written justification should be an attachment.)

Sincerely,

Name of Authorized Signer  
Title of Authorized Signer

**BHS APPROVALS (SIGNATURE / DATE):**

Contract Monitor \_\_\_\_\_

Program Manager \_\_\_\_\_

Division Manager, BHS \_\_\_\_\_

Deputy Director or designee, BHS \_\_\_\_\_

Contracts Manager, DHS \_\_\_\_\_

Manager, DHS Fiscal Services \_\_\_\_\_

Deputy Director, DHS \_\_\_\_\_

Director, DHS \_\_\_\_\_

Cc: Contract File

**CONTRACT ADVANCE POLICY & PROCEDURE  
ADVANCE REQUEST WRITTEN JUSTIFICATION**

**[NOTE DATE OF REQUEST HERE]**

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The justification must be attached to the Advance Request Letter and must accurately describe the financial needs of the agency, the impact of these needs on the program, and efforts made to mitigate financial needs through alternative resources. It must include, but is not limited to, the three content areas noted below (plus Plan of Correction for Emergency Advance Request):

1. **Summary:** Describes the financial needs of the agency, and its inability to meet these needs without an advance.
2. **Background Description:** Describes the agency's current financial concern(s)/issues.
3. **Impact Statement:** Describes what specifically may occur should the agency not receive an advance.
4. **Plan of Correction (for Emergency Advance Request only):** The agency develops a plan of correction to help prevent future financial instability.



**County Program Coordinator Analysis:**

1. Contract expenditure: Current draw on contract (if applicable):

2. Current status of any lines of credit (if applicable):

3. Any prior corrective actions (if applicable; include content, dates and resolution/outcome):

4. Recommendation and rationale:

**County Program Manager Recommendation and Rationale:**