

	<b>County of Sacramento</b> <b>Mental Health Division</b> <b>Adult Mental Health Services</b>	Policy No.	02-01
		Issued Date	07-24-07
		Revision Date	
AREA: <b>Contract Administration</b>	TITLE: <b>Contract Advance</b>		
Approved by:	Approved By:		
Steve Davidson, MSW, CPRP Program Coordinator	Sandy Damiano, PhD Chief		

**I. POLICY**

Adult Mental Health contract agencies are expected to have sufficient financial resources to cover expenses until reimbursement is received. In accordance with the Sacramento County Contract Manual 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.” This policy outlines the indications for advances and the decision-making process.

**II. TYPES OF ADVANCES**

- A. Program Startup Advance (Exhibit D): A completely new program, or significant expansion of an existing program (as defined by the Division of Mental Health) that requires extensive staff training, remodeling, equipment or other non-recurring costs.
- B. Annual Advance (Exhibit D): Payment of a percentage of the annual contract amount for an existing contract at the beginning of a fiscal year. An Annual Advance must include written justification.
- C. Emergency Advance (Exhibit C as applicable): Payment of a specified sum to an agency that is experiencing an unusual, non-recurring financial problem. An Emergency Advance must include a written justification and a Plan of Correction.

**III. PROCEDURES**

**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 extensive staff training, remodeling, equipment, etc. are expected to be incurred
2. An advance of up to 10% of the annual contract maximum may be requested for program startup.
3. Program startup advances may be processed for payment following the full execution of the agency contract.

**B. Annual Advance – Existing Contract:**

1. Annual advances for an existing program(s) may be available to the provider at the sole discretion of the Director of Health & Human Services or Director's designee.
2. Annual advances for existing programs will not be automatically granted. An agency must demonstrate a legitimate business need, accompanied by a full written justification.
3. Advance Request Letter: The agency must provide a request letter on their agency's letterhead, and signed by an authorized agent. The advance request letter must specify the Agreement number, and the amount of the request. See attached Advance Request Template.
4. Advance Request Written Justification: The full written justification must be attached to the advance request. The business need justification 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 the three content areas noted below, but is not limited to the following:
  - a. Summary - Provides a general summary that accurately describes the financial needs of the agency, and its inability to meet these needs without an advance.
  - b. Background Description - Describes the agency's current financial concern(s). Agency must provide specific details that will assist the County in understanding the agency's financial issues/concerns.
  - c. Impact Statement - Describes what specifically may occur should the agency not receive an advance from the County.
5. The written justification must demonstrate why the existing agency resources cannot cover the contingency. The written justification is submitted to the designated Adult Mental Health Service Performance Monitor at the time the advance request is made.

**C. Emergency Advance:**

1. Emergency Advance funds for an existing program(s) may be available to the provider at the sole discretion of Director of Health & Human Services or Director's designee.
2. 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.
3. Advance Request Letter: The agency must provide a request letter on their agency's letterhead, signed by an authorized agent. The advance funds letter must specify the Agreement number, and the amount of the request. See attached Advance Request Template.
4. Advance Request Written Justification: The full written justification must be attached to the advance funds request. The business need justification 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. The business need justification must include, but is not limited to, the following;

- a. Summary - Agency provides a general summary that accurately describes the financial needs of the agency, and its inability to meet these needs without an advance.
- b. Background Description - Describes the agency's current financial concern(s). Agency will provide specific details that will assist the County in understanding the agency's financial issues/concerns.
- c. Impact Statement - Describes what specifically may occur should the agency not receive an advance from the County.
- d. Plan of Correction - The agency develops a plan of correction to help prevent future financial instability. The plan of correction is submitted to the designated Adult Mental Health Service Performance Monitor at the time that the request for advance funds is made.

**D. Service Performance Monitor Actions:**

1. Reviews the request, consults with the Mental Health Administrative Services Officer as indicated to review financial resources.
2. Obtains additional information as indicated from the agency.
3. Recommends approval/disapproval to the designated Program Manager and/or Chief.

**E. Program Manager Actions (when indicated):**

1. Reviews the request and recommendations.
2. Recommends approval/disapproval to the Chief.

**F. Chief, Adult Mental Health Services:**

1. Makes final decision taking into account the team recommendations. Consults with the Mental Health Services Director when indicated.
2. Notes approval or non-approval and returns it to the Service Performance Monitor for processing.

**G. Chief, Fiscal Services:**

1. Reviews financial resources and funding sources.
2. Recommends approval/disapproval to the Director, Department of Health & Human Services.

**H. Manager, Contract Unit:**

1. Reviews the request and recommendations, and consults with the Director, Department of Health & Human Services.
2. Provides copy of approval/disapproval to Service Performance Monitor.
3. Forwards request to Fiscal (only if approved) following execution of Agreement.

**I. Service Performance Monitor:**

1. Notifies the Executive Director of decision by telephone or in person.
2. Completes and sends letter to the provider notifying them in writing of the approval or non-approval of the advance request.

3. Provides copies of the signed letter to the Chief, Program Manager when indicated, and the contracts file.

**J. Advance Payment & Recouping:**

1. An advance is processed for payment after the contract has been fully executed.
2. The County recoups the advance payment for a Program Startup Advance or Annual Advance by deducting one-tenth of the advance amount from the provider'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.
3. The repayment schedule for an Emergency Advance follows the approved language and process in the attached Exhibit C language.
4. Only one advance of any type may be granted during any given fiscal year. Adjustments to the Advance amount for an Emergency Advance maybe made in accordance with the advance language in the attached Exhibit C.

**Attachments:**

Advance Request Template  
 Advance Request Written Justification

**Form References:**

N/A

<b>IV. REFERENCES</b>	Related Policies & Procedures	State/Federal Codes/Other References
	Contract Manual Section 12.01 Exhibit C Advance Language Exhibit D Advance Language	N/A
<b>V. CONTACTS</b>	Name	E-mail
	Designated Contract Monitor	
<b>VI. SCOPE</b>	<input checked="" type="checkbox"/> Mental Health Staff <input type="checkbox"/> Mental Health Treatment Center <input type="checkbox"/> Specific grant/specialty resource	<input checked="" type="checkbox"/> Adult Contract Providers <input type="checkbox"/> Children's Contract Providers

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

---

**USE AGENCY LETTERHEAD**

Date of Request

Agreement Number

Sacramento County Department of Health & Human Services  
Division of Mental Health, Adult Services  
7001-A East Parkway, Suite 300  
Sacramento, CA 95823-2501  
Attn: Name of Service Performance 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 2007/08. (Include a summary of the request only. Do not include your full written justification here. The full written justification should be attached.)

Sincerely,

Name of Authorized Signer  
Title of Authorized Signer

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

Service Performance Monitor \_\_\_\_\_

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

Chief, Adult Mental Health \_\_\_\_\_

Director, Mental Health \_\_\_\_\_

Chief, Fiscal Services \_\_\_\_\_

Manager, Contract Unit \_\_\_\_\_

Director, DHHS \_\_\_\_\_

Cc: Contract File

