

HOW CARS PAYMENTS WORK

THE PAYMENT PROCESS STARTS WITH SIGNED CONTRACTS

The CARS payment process must begin with a signed contract. DHS program units prepare, negotiate and eventually sign contracts with providers or local governments for services. Program staff send signed contracts to the CARS Unit for entry into the CARS system at least one month before the first payment to a provider.

CONTRACT INFORMATION IS ENTERED INTO THE CARS SYSTEM

The CARS Unit enters information on contracts totaling almost \$1.2 Billion (500+ providers) into CARS annually. Most of these contracts are calendar year contracts. The CARS Unit reviews, keys and proofs information quickly, to ensure timely and accurate payments. [Attachment I](#) shows time lines for processing CARS Contracts.

PAYMENTS ARE MADE FOR THE FIRST THREE MONTHS OF CONTRACTS, BEFORE EXPENDITURE REPORTS

Because of the time lag between when providers incur, report and are reimbursed for the contract related costs, DHS makes **pre-payments** for the first three months of most contracts. The pre-payments improve cash flow to the providers.

EXPENDITURE REPORTS TRIGGER REIMBURSEMENTS

Providers must report costs incurred on signed expenditure reporting forms. The providers generally submit the forms to the CARS Unit. Reports are normally due one month after the end of the month for which the report is being submitted (e.g., January's report is due March 1st). The CARS Unit reviews, keys and proofs the information. Then CARS staff execute monthly payment processing computer jobs. After the payment processing jobs complete, the Bureau of Fiscal Services transmits payment data files to DOA to cut checks. DHS mails the checks to the providers.

The monthly DMT-603 reports provide detailed information on what is being paid on a particular check. Refer questions about payments to the [contacts](#) on the attached listing.

RECONCILIATION OF PAYMENTS AND REPORTED EXPENDITURES

Providers should reconcile costs recorded on their books to the expenditure reports at least quarterly (monthly is recommended). DHFS reconciles payments and reported expenditures, when reimbursing the last three months of a contract. The effect of the reconciliation of payments and expenditures is to adjust pre-payments and others to actual amounts. Providers will receive additional payments, up to the contract limit, if reported expenditures exceed payments previously made.

If payments exceed reported expenditures, DHS will record an amount due (account receivable) on the CARS system. The amount due will be collected against subsequent expenditure reimbursements. When payments and expenditures have been reconciled and all amounts due are collected, the contract is closed on the CARS system.

ATTACHMENT I

TIME LINES FOR PROCESSING CARS CONTRACTS

Copies of signed contracts must be in the CARS unit no later than the 5th of the month prior to the first month of the contract period in order to generate the first prepayment check for mailing on the time line below (depending on the type of agency).

EXCEPTION: The copy of the signed contract must be in the CARS unit by November 30 if the contract period begins on January 1.

The following suggested time lines will allow sufficient time for processing the necessary paper work.

Pre-Packet to BFS	July 1	Three months prior to contract start date
Pre-Packet Returned to Contracting Division	July 15	Within 10 working days
Print or Type Final Contracts	July 30	Two and one-half months prior to contract start date
Contract to Agency For Signature	August 1	Two months prior to contract start date
Agency Sign and Return Contract	September 5	Processing deadline
Contract Entered, System Run and First Payment Processed	September 5 - September 28	
First Payment Mailed to Agency	September 30 OR October 4	(For Receipt October 1) (For Receipt October 5)

Depending upon the contract and the type of agency, the time line may be shorter if less than 30 days are needed to secure the signature on the contract. If a board must be convened to authorize the contract, more time will be needed than if the agency director is authorized to sign for the agency.

If less than 15 days is needed to type or print the final contracts after all internal approvals have been obtained, then the time line could be shortened accordingly.

If the pre-packet is not acceptable as submitted, additional time may be required to resolve problems/issues.

The time to complete the above process is expected to require 60 to 90 days.

Securing a RPA may require significantly more time. Guidance on procurement requirements is provided by DOA Procurement and the BFS Purchasing Section.