NEW TAB

ORDER

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
WESTERN-PACIFIC REGION

WP 2700.23
NM 2700.20

2/17/83

MASTER FILE

file

SUBJ: IMPLEMENTATION OF PROMPT PAYMENT ACT

1. PURPOSE. This order provides regional guidance as to policies and procedures prescribed in the Office of Management and Budget (OMB) Circular No. A-125.

2. DISTRIBUTION. This order is distributed to the section level in the regional offices and limited distribution to all field offices and facilities in the Western-Pacific and Northwest Mountain Regions.

3. EFFECTIVE DATE. The effective date of this order is October 1, 1982.

4. BACKGROUND. The Prompt Payment Act, Public Law 97-177, requires Federal agencies to pay their bills on time, to pay interest penalties when payments are made late, and to take discounts only when payments are made within the discount period. OMB Circular No. A-125 establishes the policy that agencies will make payments as close as possible to, but not later than, the due date, or, if appropriate, the discount date. Agencies will pay interest penalties for discounts taken after the discount period has lapsed and when a payment is not made on time. Payment will be made without the need for business concerns requesting them. The interest penalties paid will be absorbed within the program for which the penalty was incurred.

5. DEFINITIONS. For the purpose of this order, the following definitions apply:

a. Applicable Interest Rate. The interest rate established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the Federal Register. This rate is referred to as the "Renegotiation Board Interest Rate," and is published semiannually on or about January 1 and July 1.

b. Business Concern. Any person or organization engaged in a profession, trade, or business; and not-for-profit entities (including State and local governments, but excluding Federal entities) operating as contractors.

c. Contract. Any enforceable agreement, including rental and lease agreements and purchase orders, between an agency and a business concern for the acquisition of property or services.

cc: 60/X 67A/X
63/X 67B/X
65/X 67C/X
67/X 67D/X

Distribution: WP:A-X-4; A-FOF-0(Ltd)
NM:A-X-4; A-FOF-0(Ltd)

Initiated By: AWP-20

d. Designated Payment Office. The place named in the contract for forwarding of invoices for payment, or, in certain instances, for approval.

e. Due Date. The date on which Federal payment should be made. Determination of such dates is discussed in paragraph 7 of this order.

f. Discount Date. The date by which, if payment is made, a specified discount can be taken.

g. Payment Date. The date on which a check for payment is dated.

h. Proper Invoice. A bill or written request for payment provided by a business concern for property or services rendered. A proper invoice must meet the requirements of paragraph 6b of this order.

i. Receipt of Invoice. The later of:

(1) The date a proper invoice is actually received in the designated payment office, or,

(2) The date on which the agency accepts the property or service.

j. Receiving Report. Written evidence of acceptance of property or services by a Government official. Receiving reports must meet the requirements of paragraph 6c of this order.

6. PROCEDURES. In order to adhere to OMB's policy, the following procedures should be followed:

a. Contract must include:

(1) Payment due date(s).

(2) Separate payment dates if partial payment is provided for partial executions or deliveries.

(3) A stated inspection period following delivery, where necessary, for acceptance of property or services.

(4) Names, where practicable, title, phone number, and complete mailing address of officials of the business concern, and of the designated payment office.

(5) If a certification of an invoice is required by a field office prior to payment, the contract should indicate that the business concern will submit invoice(s) to the appropriate field office(s) (showing complete mailing address) for certification.

b. A proper invoice must include:

(1) Name of the business concern and the invoice date.

(2) Contract number or other authorization for delivery of property or services.

(3) Description, price and quantity of property and services actually delivered or rendered.

(4) Shipping and payment terms.

(5) Other sustantiating documentation or information as required by the contract.

(6) Name, where practical, title, phone number and complete mailing address to whom payment is to be sent.

c. A receiving report must include:

(1) Contract or other authorization number.

(2) Product or service description.

(3) Quantities received, if applicable.

(4) Date(s) property or services accepted.

(5) Signature, printed name, title, phone number and mailing address of the receiving official.

d. The following types of contracts are exempt:

(1) Contracts when payments are made for financing purposes before receipt of complete delivered items of property, or service.

(2) Contracts for utilities (gas, water, electricity, etc.) that include provisions for late payment charges established by tariff or State regulatory commissions.

(3) Informal contracts for the purchase of utilities under a tariff when such tariff provides for late payment charges.

7. DETERMINING DUE DATES. Payment will be made as close as possible to, but not later than, the thirtieth (30th) day after receipt of a proper invoice as defined in paragraph 5 of this order, except as follows:

a. When a specific payment date is provided for in the contact, payment will be made as close as possible to, but not later than,that date.

b. When a time discount is taken, payment will be made as close as possible to, but not later than, the discount date. Discounts will be taken whenever economically justified. (Accounting will determine as per Treasury Fiscal Requirements Manual 6-8050.30.)

8. SUBMISSION OF DOCUMENTS. All invoices and receiving reports shall be forwarded to the Accounting Division, Attn: AWP-26, as soon as possible. At a minimum, these documents must be forwarded to AWP-26 within two (2) workdays of receipt. This will enable the Accounting Division to review and process the documentation prior to the transmission of the check issuance to Treasury. However, if there is any question as to meeting the due date, the document should be submitted to the Accounting Division, AWP-26, annotating that the document needs special consideration in order to meet the due date. The following two examples show how due dates affect the dates documentation should be submitted to the Accounting Division, AWP-26:

a. Example 1. A contract has a payment due date of October 15th. In order to avoid interest penalties, payment must be made as close to, but not later than, October 15th. Accounting, AWP-26, must receive proper documentation by October 4th (two days allowed for weekend).

b. Example 2. An invoice is dated October 6th for a contract with a delivery date of September 30th. This situation is quite common under the purchase order procedures where the invoice and the receiving report are received separately in AWP-26. In order to assure prompt payment, AWP-26 must receive the receiving report by October 18th.

9. INTEREST PENALTY REQUIREMENT.

a. An interest penalty will be paid automatically when all of the following conditions are met:

(1) There is a contract or purchase order with a business concern.

(2) Federal acceptance of property or services has occurred and there is no disagreement over quantity, quality, or other contract provisions.

(3) A proper invoice has been received (except where no invoice is required, e.g., some periodic lease payments) or the agency fails to give notice that the invoice is not proper within the 15 days of receipt of an invoice.

b. An interest penalty will also be paid when an agency takes a discount after the discount period has expired, and fails to correct the underpayment within 15 days of the expiration of the discount period.

c. Interest penalties are not required when payment is delayed because of a disagreement between a federal agency and a business concern over the amount of the payment or other issues concerning compliance with the terms of a contract; nor are they required when payments are made solely for financing purposes, payments are made in advance, or for a period when amounts are withheld temporarily in accordance with the contract. Claims concerning disputes, and any interest that may be payable with respect to the period while disputes, and any interest that may be payable with respect to the period while the dispute is being settled, will be resolved in accordance with the provisions in the Contract Disputes Act of 1978 (41 U.S.C. 601 et. seq.).

10. RECORDATION OF INTEREST PENALTIES. The interest penalties will be charged to the same accounting code as the procurement document, except that object subclassification "XX99" will be used (e.g., 2371 would become 2399).

11. INQUIRIES. Any questions regarding this matter should be directed to the Examination and Classification Branch, AWP-26.

12. COORDINATION. This order was coordinated with officials of the Northwest Mountain Region.

Charles Elston

for F. P. CANTRELL
Manager, Accounting Division