

### § 1315.3

### 5 CFR Ch. III (1–1–02 Edition)

card issuers to pay purchase card invoices early.

(bb) *Receiving office* means the entity which physically receives the goods or services, and may be separate from the accepting entity.

(cc) *Receiving report* means written or electronic evidence of receipt of goods or services by a Government official. Receiving reports must meet the requirements of § 1315.9(c).

(dd) *Recurring payments* means payments for services of a recurring nature, such as rents, building maintenance, transportation services, parking, leases, and maintenance for equipment, pagers and cellular phones, etc., which are performed under agency-vendor agreements providing for payments of definite amounts at fixed periodic intervals.

(ee) *Settlement date* means the date on which an EFT payment is credited to the vendor's financial institution.

(ff) *Taxpayer Identifying Number (TIN)* means the nine digit Employer Identifying Number or Social Security Number as defined in Section 6109 of the Internal Revenue Code of 1986 (26 U.S.C. 6109).

(gg) *Utilities and telephones* means electricity, water, sewage services, telephone services, and natural gas. Utilities can be regulated, unregulated, or under contract.

(hh) *Vendor* means any person, organization, or business concern engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor (including State and local governments and foreign entities and foreign governments, but excluding Federal entities).

[64 FR 52586, Sept. 29, 1999, as amended at 65 FR 78404, Dec. 15, 2000]

#### § 1315.3 Responsibilities.

Each agency head is responsible for the following:

(a) *Issuing internal procedures.* Ensuring that internal procedures will include provisions for monitoring the causes of late payments and any interest penalties incurred, taking necessary corrective action, and handling inquiries.

(b) *Internal control systems.* Ensuring that effective internal control systems are established and maintained as re-

quired by OMB Circular A-123, "Management Accountability and Control."<sup>1</sup> Administrative activities required for payments to vendors under this part are subject to periodic quality control validation to be conducted no less frequently than once annually. Quality control processes will be used to confirm that controls are effective and that processes are efficient. Each agency head is responsible for establishing a quality control program in order to quantify payment performance and qualify corrective actions, aid cash management decision making, and estimate payment performance if actual data is unavailable.

(c) *Financial management systems.* Ensuring that financial management systems comply with OMB Circular A-127, "Financial Management Systems."<sup>2</sup> Agency financial systems shall provide standardized information and electronic data exchange to the central management agency. Systems shall provide complete, timely, reliable, useful and consistent financial management information. Payment capabilities should provide accurate and useful management reports on payments.

(d) *Reviews.* Ensuring that Inspectors General and internal auditors review payments performance and systems accuracy, consistent with the Chief Financial Officers (CFO) Act requirements.

(e) *Timely payments and interest penalties.* Ensuring timely payments and payment of interest penalties where required.

#### § 1315.4 Prompt payment standards and required notices to vendors.

Agency business practices shall conform to the following standards:

(a) *Required documentation.* Agencies will maintain paper or electronic documentation as required in § 1315.9.

(b) *Receipt of invoice.* For the purposes of determining a payment due date and the date on which interest will begin to accrue if a payment is late, an invoice shall be deemed to be received:

(1) On the later of:

<sup>1</sup>For availability of OMB circulars, see 5 CFR 1310.3.

<sup>2</sup>See footnote 1 in § 1315.3(b).

(i) For invoices that are mailed, the date a proper invoice is actually received by the designated agency office if the agency annotates the invoice with date of receipt at the time of receipt. For invoices electronically transmitted, the date a readable transmission is received by the designated agency office, or the next business day if received after normal working hours; or

(ii) The seventh day after the date on which the property is actually delivered or performance of the services is actually completed; unless—

(A) The agency has actually accepted the property or services before the seventh day in which case the acceptance date shall substitute for the seventh day after the delivery date; or

(B) A longer acceptance period is specified in the contract, in which case the date of actual acceptance or the date on which such longer acceptance period ends shall substitute for the seventh day after the delivery date;

(2) On the date placed on the invoice by the contractor, when the agency fails to annotate the invoice with date of receipt of the invoice at the time of receipt (such invoice must be a proper invoice); or

(3) On the date of delivery, when the contract specifies that the delivery ticket may serve as an invoice.

(c) *Review of invoice.* Agencies will use the following procedures in reviewing invoices:

(1) Each invoice will be reviewed by the designated agency office as soon as practicable after receipt to determine whether the invoice is a proper invoice as defined in §1315.9(b);

(2) When an invoice is determined to be improper, the agency shall return the invoice to the vendor as soon as practicable after receipt, but no later than 7 days after receipt (refer also to paragraph (g)(4) of this section regarding vendor notification and determining the payment due date.) The agency will identify all defects that prevent payment and specify all reasons why the invoice is not proper and why it is being returned. This notification to the vendor shall include a request for a corrected invoice, to be clearly marked as such;

(3) Any media which produce tangible recordings of information in lieu of “written” or “original” paper document equivalents should be used by agencies to expedite the payment process, rather than delaying the process by requiring “original” paper documents. Agencies should ensure adequate safeguards and controls to ensure the integrity of the data and to prevent duplicate processing.

(d) *Receipt of goods and services.* Agencies will ensure that receipt is properly recorded at the time of delivery of goods or completion of services. This requirement does not apply to interim payments on cost-reimbursement service contracts except as otherwise required by agency regulations.

(e) *Acceptance.* Agencies will ensure that acceptance is executed as promptly as possible. Commercial items and services should not be subject to extended acceptance periods. Acceptance reports will be forwarded to the designated agency office by the fifth working day after acceptance. Unless other arrangements are made, acceptance reports will be stamped or otherwise annotated with the receipt date in the designated agency office. This requirement does not apply to interim payments on cost-reimbursement service contracts except as otherwise required by agency regulations.

(f) *Starting the payment period.* The period available to an agency to make timely payment of an invoice without incurring an interest penalty shall begin on the date of receipt of a proper invoice (see paragraph (b) of this section) except where no invoice is required (e.g., for some recurring payments as defined in §1315.2(dd)).

(g) *Determining the payment due date.* (1) Except as provided in paragraphs (g)(2) through (5) of this section, the payment is due either:

(i) On the date(s) specified in the contract;

(ii) In accordance with discount terms when discounts are offered and taken (see §1315.7);

(iii) In accordance with Accelerated Payment Methods (see §1315.5); or

(iv) 30 days after the start of the payment period as specified in paragraph (f) of this section, if not specified in the contract, if discounts are not

taken, and if accelerated payment methods are not used.

(2) *Interim payments under cost-reimbursement contracts for services.* The payment due date for interim payments under cost-reimbursement service contracts shall be 30 days after the date of receipt of a proper invoice.

(3) *Certain commodity payments.* (i) For meat, meat food products, as defined in Section 2(a)(3) of the Packers and Stockyard Act of 1921 (7 U.S.C. 182(3)), including any edible fresh or frozen poultry meat, any perishable poultry meat food product, fresh eggs, any perishable egg product, fresh or frozen fish as defined in the Fish and Seafood Promotion Act of 1986 (16 U.S.C. 4003(3)), payment will be made no later than the seventh day after delivery.

(ii) For perishable agricultural commodities, as defined in Section 1(4) of the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499 a(4)), payment will be made no later than the 10th day after delivery, unless another payment date is specified in the contract.

(iii) For dairy products (as defined in Section 111(e) of the Dairy Production Stabilization Act of 1983, 7 U.S.C. 4502(e)), and including, at a minimum, liquid milk, cheese, certain processed cheese products, butter, yogurt, and ice cream, edible fats or oils, and food products prepared from edible fats or oils (including, at a minimum, mayonnaise, salad dressings and other similar products), payment will be made no later than 10 days after the date on which a proper invoice, for the amount due, has been received by the agency acquiring the above listed products. Nothing in the Act permits limitation to refrigerated products. When questions arise about the coverage of a specific product, prevailing industry practices should be followed in specifying a contractual payment due date.

(4) *Mixed invoices for commodities.* When an invoice is received for items with different payment periods, agencies:

(i) May pay the entire invoice on the due date for the commodity with the earliest due date, if it is considered in the best interests of the agency;

(ii) May make split payments by the due date applicable to each category;

(iii) Shall pay in accordance with the contractual payment provisions (which may not exceed the statutory mandated periods specified in paragraph (g)(2) of this section); and

(iv) Shall not require vendors to submit multiple invoices for payment of individual orders by the agency.

(5) *Notification of improper invoice.* When an agency fails to make notification of an improper invoice within seven days according to paragraph (c)(2) of this section (three days for meat and meat food, fish and seafood products; and five days for perishable agricultural commodities, dairy products, edible fats or oils and food products prepared from edible fats or oils), the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days between the seventh day (or the third or fifth day, as otherwise specified in this paragraph (g)(4)) and the day notification was transmitted to the vendor. Calculation of interest penalties, if any, will be based on an adjusted due date reflecting the reduced number of days allowable for payment;

(h) *Payment date.* Payment will be considered to be made on the settlement date for an electronic funds transfer (EFT) payment or the date of the check for a check payment. Payments falling due on a weekend or federal holiday may be made on the following business day without incurring late payment interest penalties.

(i) *Late payment.* When payments are made after the due date, interest will be paid automatically in accordance with the procedures provided in this part.

(j) *Timely payment.* An agency shall make payments no more than seven days prior to the payment due date, but as close to the due date as possible, unless the agency head or designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary. This authority must be used cautiously, weighing the benefits of making a payment early against the good stewardship inherent in effective cash management practices. An agency may use the "accelerated payment methods" in §1315.5 when it determines that such earlier payment is necessary.

## Office of Management and Budget

## § 1315.6

(k) *Payments for partial deliveries.* Agencies shall pay for partial delivery of supplies or partial performance of services after acceptance, unless specifically prohibited by the contract. Payment is contingent upon submission of a proper invoice if required by the contract.

[64 FR 52586, Sept. 29, 1999, as amended at 65 FR 78405, Dec. 15, 2000]

### § 1315.5 Accelerated payment methods.

(a) *A single invoice under \$2,500.* Payments may be made as soon as the contract, proper invoice, receipt and acceptance documents are matched except where statutory authority prescribes otherwise and except where otherwise contractually stipulated (e.g., governmentwide commercial purchase card.) Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

(b) *Small business (as defined in FAR 19.001 (48 CFR 19.001)).* Agencies may pay a small business as quickly as possible, when all proper documentation, including acceptance, is received in the payment office and before the payment due date. Such payments are not subject to payment restrictions stated elsewhere in this part. Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

(c) *Emergency payments.* Payments related to emergencies and disasters (as defined in the Robert T. Stafford Disaster Relief Act and Emergency Assistance, Pub. L. 93-288, as amended (42 U.S.C. 5 121 *et seq.*); payments related to the release or threatened release of hazardous substances (as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980, Pub. L. 96-510, 42 U.S.C. 9606); and payments made under a military contingency (as defined in 10 U.S.C. 101(a)(13)) may be made as soon as the contract, proper invoice, receipt and acceptance documents or any other agreement are matched. Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

(d) *Interim payments under cost-reimbursement contracts for services.* For interim payments under cost-reimburse-

ment service contracts, agency heads may make payments earlier than seven days prior to the payment due date in accordance with agency regulations or policies.

[64 FR 52586, Sept. 29, 1999, as amended at 65 FR 78405, Dec. 15, 2000]

### § 1315.6 Payment without evidence that supplies have been received (fast payment).

(a) In limited situations, payment may be made without evidence that supplies have been received. Instead, a contractor certification that supplies have been shipped may be used as the basis for authorizing payment. Payment may be made within 15 days after the date of receipt of the invoice. This payment procedure may be employed only when all of the following conditions are present:

(1) Individual orders do not exceed \$25,000 (except where agency heads permits a higher amount on a case-by-case basis);

(2) Deliveries of supplies are to occur where there is both a geographical separation and a lack of adequate communications facilities between Government receiving and disbursing activities that make it impracticable to make timely payments based on evidence of Federal acceptance;

(3) Title to supplies will vest in the Government upon delivery to a post office or common carrier for mailing or shipment to destination or upon receipt by the Government if the shipment is by means other than the Postal Service or a common carrier; and

(4) The contractor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase requirements.

(b) Agencies shall promptly inspect and accept supplies acquired under these procedures and shall ensure that receiving reports and payment documents are matched and steps are taken to correct discrepancies.

(c) Agencies shall ensure that specific internal controls are in place to assure that supplies paid for are received.

(d) As authorized by the 1988 Amendment to the Prompt Payment Act (Section 11(b)(1)(C)), a contract clause at 48