



United States Department of the Interior



OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

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FINANCIAL ADMINISTRATION MEMORANDUM NO. 91-020 (II.J)

To: Bureau Assistant Directors, Administration
Director, Administrative Services
Bureau Finance Officers
Chief, Division of Fiscal Services

From: Chief, Division of Financial Administration

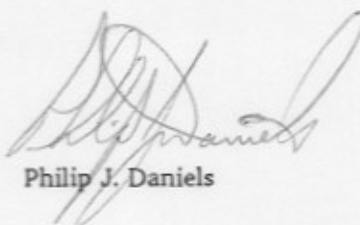
Subject: Prompt Payment Act - Utility Payments

The purpose of this memorandum is to distribute a note received from the Office of Management and Budget (OMB) regarding the applicability of utility payments vis-a-vis the Prompt Payment Act and OMB Circular A-125.

Recently, the Bureau of Reclamation raised the question whether the reporting of utility payments was appropriate under OMB Circular A-125. Accordingly, this Office contacted OMB to request guidance since the reporting of utility payments is not specifically covered in Circular A-125. Attached is a copy of the response received from OMB.

OMB advised that utility payments are subject to the Prompt Payment Act and Circular A-125. However, if the terms and conditions of the contract or tariff specify other payment due dates and late payment provisions, those provisions take precedence over the Prompt Pay Act's provisions. On page 1 of FAM 89-111 dated January 3, 1990, the last "bullet" item and the reference to Circular A-125 are solely in the context of contract terms and conditions for payment due dates and late payment terms not the entirety of Circular A-125. This is true not only for utility payments but all contracts. According to OMB, interest penalties paid based on other contract or tariff terms should be reported in the Prompt Act Report as interest penalties. Further, gross dollar amounts should be included and reported in the appropriate report sections as well (e.g. Item I. - Invoices Paid Subject to the Prompt Payment Act and OMB Circular A-125).

Should you have questions or require additional information, please contact Bill Webber on 202-208-5223 (or FTS 268-5223).



Philip J. Daniels

Attachment

Prior Financial Administration Memorandums
on this subject:

- No. 89-034 (II.J.) dated, May 17, 1989 - Inactive
- No. 89-089 (II.J.) dated, October 31, 1989 - Inactive
- No. 89-111 (II.J.) dated, January 3, 1990 - Active

NOTE TO BILL WEBBER

From: John Galligan

Subj: Prompt Payment

Per our discussions, utility payments are subject to reporting under Prompt Payment. Applicable tariffs for utilities will take precedence over Prompt Payment interest penalties yet should be reported to OMB the same way as all other interest penalty payments.

Please refer to the preamble (Page 52701) in the Federal Register dated 12/21/89 and to the definition of "contracts" in the Circular itself which should clarify these matters.

I'll leave it up to you on how to convey this information to the bureaus.