

Reclamation Manual

Directives and Standards

- Subject:** Reclamation Standard Water-Related Contract Articles, Article 3: Charges for Delinquent Payments (All Programs Except D&MC)
- Purpose:** To commit Reclamation’s Standard Contract Article 3 to the Reclamation Manual, introduced by a brief description and direction regarding its use, for the benefit of making it easily accessible and promoting Reclamation-wide consistency in its use and content.
- Authority:** The Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), and acts amendatory and supplementary thereto, especially § 6 of the Reclamation Project Act of 1939 (Pub. L. 76-260, as amended and supplemented; 43 U.S.C. § 485e).
- Approving Official:** Director, Office of Program and Policy Services
- Contact:** Office of Program and Policy Services; Contracts Services Office, 84-56000

1. **Charges for Delinquent Payments (All Programs Except D&MC).** This article prescribes the collection of interest and administrative and penalty charges due on delinquent payments. The charts included in Reclamation Manual Policy PEC P10 specify which contract types require standard article 3.
2. **Reclamation Standard Contract Article 3.**

(All Programs Except D&MC)

CHARGES FOR DELINQUENT PAYMENTS¹

(a) The Contractor shall be subject to interest, administrative, and penalty charges on delinquent payments. If a payment is not received by the due date, the Contractor shall pay an interest charge on the delinquent payment for each day the payment is delinquent beyond the due date. If a payment becomes 60 days delinquent, in addition to the interest charge, the Contractor shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. If a payment is delinquent 90 days or more, in addition to the interest and administrative charges, the Contractor shall pay a penalty charge for each day the payment is

¹Replaces “Penalty for Late Payments,” Approved 2/71; “Charge for Late Payments,” Approved 4/81, Revised 4/83; “Charges for Delinquent Payments,” Revised 11/84, 6/86, 01/02.

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delinquent beyond the due date, based on the remaining balance of the payment due at the rate of 6 percent per year. The Contractor shall also pay any fees incurred for debt collection services associated with a delinquent payment.

(b) The interest charge rate shall be the greater of either the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments or the interest rate of 0.5 percent per month. The interest charge rate will be determined as of the due date and remain fixed for the duration of the delinquent period.

(c) When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty charges, second to the administrative charges, third to the accrued interest, and finally to the overdue payment.²

²Application of some or all of these charges may not be appropriate for certain bills issued under the Reclamation Reform Act of 1982 (Pub. L. 97-293, Title II, as amended and supplemented; 43 U.S.C § 390aa, *et seq.*).