

# Reclamation Manual

## Directives and Standards

<b>Subject:</b>	Reclamation Standard Water-Related Contract Articles, Standard Article 3: Charges for Delinquent Payments
<b>Purpose:</b>	To provide requirements for the content and application of Standard Article 3: Charges for Delinquent Payments (Standard Article 3), for the benefit of supporting general policy and specific requirements set forth in Reclamation Manual Policy PEC P10, <i>Reclamation Standard Water-Related Contract Articles</i> (PEC P10).
<b>Authority:</b>	The Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), and acts amendatory and supplementary thereto, especially section 6 of the Reclamation Project Act of 1939 (Pub. L. 76-260; 53 Stat. 1191; 43 U.S.C. § 485e); section 11 of the Debt Collection Act of 1982 (Pub. L. 97-365), as amended (31 U.S.C. § 3717).
<b>Approving Official:</b>	Director, Policy and Administration
<b>Contact:</b>	Water and Environmental Resources Division, 84-55000

1. **Introduction.** This Directive and Standard provides the text for Standard Article 3 and addresses related requirements. Paragraph 6 of PEC P10 indicates which contracts require Standard Article 3. In general, Standard Article 3 is required in contracts that obligate the contractor to make periodic payments to the United States. Its purpose is to discourage delinquencies and establish the United States' authority to recover associated costs where they occur.
2. **Applicability.** This Directive and Standard applies to Bureau of Reclamation staff and officials involved in the contracting process, as defined at Paragraph 3.A of PEC P10, for contracts requiring Standard Article 3 under Paragraph 6 of PEC P10.
3. **Definitions.** See Paragraph 3 of PEC P10.
4. **Responsibilities.** See Paragraph 4 of PEC P10.
5. **Text of Standard Article 3.**

### CHARGES FOR DELINQUENT PAYMENTS<sup>1</sup>

(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

<sup>1</sup>Replaces "Penalty for Late Payments," approved 02/71; "Charge for Late Payments," approved 04/81, revised 04/83; "Charges for Delinquent Payments." Revised 11/84; 06/86; 01/02; 04/10.

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interest charge on the delinquent payment for each day the payment is delinquent beyond the due date. If a payment becomes 60 days delinquent, the Contractor shall pay, in addition to the interest charge, an administrative charge to cover additional costs of billing and processing the delinquent payment. If a payment is delinquent 90 days or more, the Contractor shall pay, in addition to the interest and administrative charges, a penalty charge for each day the payment is 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 rate charged 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 rate charged 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.<sup>2</sup>

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<sup>2</sup>Application 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; 96 Stat. 1263), as amended and supplemented (43 U.S.C § 390aa, et seq.).