

Attention Prime Contractors and Small Business Subcontractors

On July 11, 2012, the Office of Management and Budget (OMB) issued Memorandum [M-12-16](#), "Providing Prompt Payment to Small Business Subcontractors," in furtherance of the goal established in OMB's September 14, 2011 Memorandum [M-11-32](#), "Accelerated Payments to Small Business for Goods and Services."

Memorandum M-12-16 established a policy for Federal agencies to accelerate payments to **all** prime contractors allowing them to accelerate payments to their small business subcontractors. Consistent with Memorandum M-11-32, the goal was to make payments to **all** prime contractors quickly upon receipt of a proper invoice and required documentation.

Prime contractors are encouraged to accelerate payments to their small business subcontractors upon receipt of payment from the Federal Government.

Additionally, prime contractors are encouraged to modify their existing contracts with small business subcontractors to include a clause providing that the prime will pay the small business subcontractor along an accelerated timetable.

NOTE: Memorandum M-12-16 does not affect the current application of the Prompt Payment Act's (PPA) late-payment interest penalty provisions. Under the PPA and OMB's implementing regulations, when an agency does not pay the contractor the amount due by "the required payment date", this triggers an interest penalty. This memorandum and its implementation do not modify the "required payment date" and do not otherwise modify the operation of the interest penalty.

This policy is effective immediately.

Changes to the Federal Acquisition Regulation are pending.

Please direct questions to the Office of Acquisition and Grants, Division of Acquisition Policy and Purchase Card Administration at (410) 965-9519.