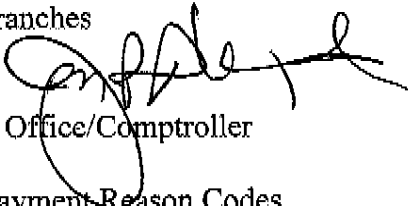




APR 12 2007

MEMORANDUM TO: Accounting Operations Division and
Field Financial Branches

MEMORANDUM FROM: Jon P. Alexander 
Director, Finance Office/Comptroller

SUBJECT: Recording Late Payment Reason Codes
Policy Memorandum 07-05

Background: In order to expedite payment to contractors for work performed on government contracts, Congress enacted the Prompt Payment Act in 1982. The Act requires Federal agencies to pay their bills on time or pay interest penalties when payments are not made on time, and only take discounts when payments are made by the discount date. In 1999, OMB added part 1315 to 5 CFR Chapter Three, to reflect the requirements of the Dept Collection Act of 1996, and to accommodate the increased use of electronic commerce by both the Federal and private sectors. One of the provisions of the addition requires each agency head to establish a quality control program in order to quantify payment performance, qualify corrective actions, and aid cash management decisions. In order for NOAA and the Department's quality control program to be effective in delivering the desired output, it is imperative that the proper code be used when interest penalties are paid in connection with late payments.

Purpose: The purpose of this policy issuance is to provide guidance to payment technicians and their supervisors to ensure the proper code is selected in the Commerce Business System (CBS) when interest penalties are paid to vendors in connection with late payments.

Policy: Supervisors are ultimately responsible for ensuring payment technicians are aware and understand the proper use of "Late Payment Reason Codes", and as such, should periodically review late payments to ensure the appropriate reason codes are being used with late payments. If the technician is in doubt as to which reason code to use, the technician should consult with the supervisor to ensure consistency in application of the reason codes.

Upon receipt of an invoice, the payment technician should review the invoice and supporting documents to determine the proper pay date based on the receipt and/or acceptance date of the goods/services, the terms indicated in the contractual document, and the receipt date of the proper invoice. Technicians must not manipulate the dates to deny payment of interest penalties in those instances where the vendor is entitled to the late payment interest, nor should they arbitrarily select a code simply to make it appear as



if the reason for the late payment was beyond the control of the payment office. For example, if the payment was late because the vendor was not notified in a timely manner of an improper invoice, the technician should select “2B - Delay/Error By Agency in Notifying Vendor of Improper Invoice” rather than selecting “1B - Delay In Agency’s Receipt of Proper Invoice.”

The following list of codes should be used to record the reason for late payments.

Code	Description
1A	Delay In Agency’s Receipt Of Receiving Report
1B	Delay In Agency’s Receipt Of Proper Invoice
1C	Delay In Agency’s Receipt Of PO/Contract/MOD
2A	Delay/Error By Agency In Taken Discount
2B	Delay/Error By Agency In Notifying Vendor Of Improper Invoice
2C	Delay/Error By Agency’s Computer Or System Process
2D	Delay In Agency’s Verification Of PM101A
2E	Delay Due To Agency’s Month End Close Process
2F	Delay Due To Invalid ACCS/Funds Availability
2G	Delay Of Vendor Payment Data
2H	Rejected Host File By Treasury
2I	Other
2J	CCR Delay