



SUBJECT: 2009 Payment Delays	Issue Date: May 4, 2009
ISSUE: Late Payment Penalties	

TO: Department Directors
Departmental Accounting Officers

PURPOSE: This letter requests departments to calculate late payment penalties due vendors or other payees that are the direct result of the State Controller's Office (SCO) delaying vendor claims payments in February and early March 2009. The SCO may seek an appropriation to collectively pay for any late payment penalties due vendors as a result of holding claims to manage the State's cash.

WHO IS AFFECTED: Any department which submitted a claim schedule to the SCO that was paid after 15 days from the date on which the undisputed claim was submitted to the SCO will need to comply.

BACKGROUND: To assist the SCO in managing the recent cash crisis, the Department of Finance's Budget Letter 09-03 requested departments to hold their vendor claims the maximum 30 days allowable under the Prompt Payment Act (Act) before submitting them to the SCO for payment. With the exception of claims for small business vendors, the SCO held vendor claims between January 20 and March 15, 2009, causing the payments to exceed the 15 day payment timeframe allowed the SCO in the Act; therefore, penalties may now be owed to vendors. In addition, there may be other statutes that require interest or penalties be paid as a result of late payments that should also be reported to the SCO.

The Act (Government Code section 927, et seq.) and the State Administrative Manual (section 8474, et seq.), direct the State to pay late penalties if payment of an invoice exceeds 45 calendar days. The Act further indicates that departments have up to 30 calendar days to submit undisputed invoices to the SCO requesting payment, and in turn, the SCO has 15 calendar days to issue payment. If one or both parties exceed their maximum allotted timeframes, then penalties must be paid to the vendor by the responsible party(s).

PROCEDURE: The SCO requests departments to complete a Std. 208 form – Penalty Calculation – (sample attached). Departments will need to include: (1) a copy of the invoice requiring penalty calculations; (2) a copy of the original claim schedule facesheet on which the invoice was paid; and (3) a completed remittance advice. These documents must be addressed and delivered by close of business, May 15, 2009, to:

State Controller's Office
Claim Audits – Late Payment Penalties
3301 C Street, Suite 750
Sacramento, CA 95816

The Std. 208 form and supporting documentation is only for the purpose of calculating those penalties that result from a claim paid by the SCO beyond 15 days from the date the department delivered the claim to the

SCO. Please note that the Prompt Payment Act states that if the penalty is \$75 or less, the penalty is waived (GC section 927.6(b)). If departments took longer than 30 days to send claims to the SCO, then departments are responsible for paying those penalties in accordance with SAM section 8474.3. These penalties should not be included on the Std. 208 form submitted to the SCO. Please refer to the sample documents that accompany this memo.

CONTACT INFORMATION:

If you have any questions please contact the SCO by calling the Claims Inquiry Line at 445-3060, or contact your Agency's assigned Claim Auditor.

Original signed by

JIM LOMBARD
Chief Administrative Officer

FACTS:

For this example only the following facts apply:

1. Invoice received by agency February 2, 2009.
2. Invoice/Claim Schedule held by agency for 30 days (March 3, 2009).
3. Claim Schedule received by SCO March 4, 2009. (② FC-10 Screen sample)
4. Normal payment date (15 days) would have been March 18, 2009. (See Std 208, step 1: date)
5. Claim Schedule paid on 30th day—April 2, 2009. (① FC-10 Screen sample)
6. Claim payment was held for 15 days beyond the 15 days allowed by the Prompt Payment Act. (Penalties began accruing as of March 19, 2009)
7. Therefore 15 days worth of penalties are due. (\$75.11) See Penalty Calculation form.

SUBMISSION DIRECTIONS:

NOTE: DO NOT INCLUDE PENALTIES INCURRED BY AGENCY

1. Complete form STD 208 (Penalty Calculation Form)
2. Attach copies of invoice and claim schedule facesheet (claim where invoice was originally paid STD 218)
3. Attach completed Remittance Advice (Std 404C)
4. Place above items in a separate manila folder and mark it ***DELAYED PAYMENT PENALTY***
5. Submit envelope to SCO's Claim Audits (where your agency normally submits their claim schedules)

State Controller's Office
Claim Audits
3301 C. St. Ste 750
Sacramento, CA

PENALTY CALCULATION

STD. 208 (REV.1-2000)

Prepare an original and two copies

STATE AGENCY NAME

State Controllers Office

CONTACT PERSON (Print)

John Smith

TELEPHONE NUMBER

(916) 123-4567

CONTRACTOR/VENDOR

Enchantment Supply Company

INVOICE NUMBER

987

INVOICE DATE

January 31, 2009

REFERENCE NUMBER(S)

CLAIM SCHEDULE NUMBER

10000001

PART A: PENALTY CALCULATION

STEP 1:
Required Payment Approval Date March 18, 2009

STEP 2:
Amount Subject to Penalty (Excluding Sales Tax) \$34,320.75
Daily Interest Rate0001459

STEP 3:
Penalty Per Day (Multiply Step 2 by Daily Interest Rate) \$5.01

STEP 4:
Number of Days Penalized 15

STEP 5:
Penalty Amount (Multiply Step 3 by Step 4) Enter the result here \$ 75.11

Enter the Penalty amount below when the penalty is:

- To a small business; or
- Over \$75.00 for all other businesses

PART B: TOTAL PAYMENT

PENALTY AMOUNT (From Step 5)—Enter on Remittance Advice \$ 75.11
TOTAL INVOICE AMOUNT (Including Tax)—Enter on Remittance Advice \$ 36,980.61
TOTAL DUE TO VENDOR—Enter on Remittance Advice \$ 75.11

Sample FC-10 Screen

STATE CONTROLLERS OFFICE CLAIM SCHEDULE STATUS

AGENCY	SCHEDULE NUMBER	BATCH DATE	BATCH ID	BATCH SEQ	WARRANT FROM	SEQUENCE TO
1234	12345678	20090402	AUD5	01	12-678901	12-678901

CLAIMS TOTAL: \$36,980.61
NUMBER OF ISSUES: 000001
NUMBER OF VOIDS: 000000
FUND: 0001
CCL DATE : / /
VOID DATE : / /
DELETE DATE : / /
SUSPENSE SEQUENCE NUMBER:

WARRANT DATE : 04/02/2009 ①
FIRST PROCESS DATE : 03/04/2009 ②
LAST ERROR DATE : 04/02/2009
POSTING DATE : 04/02/2009
SCHEDULE PRINT DATE : / /
SCHEDULE ISSUE DATE : / /
AUDIT SELECT DATE : / /
AUDIT RELEASE DATE : / /

HIT ENTER TO RETURN TO MENU OR PF10 KEY TO VIEW POSTINGS

For this example the following facts apply:

Invoice received by agency February 2, 2009.

Invoice/Claim Schedule held by agency for 30 days (March 3, 2009).

② Claim Schedule received by SCO March 4, 2009.

① Claim Schedule paid on 30th day—April 2, 2009.

Claim payment was held for 15 days beyond the 15 days allowed by the Prompt Payment Act.

Therefore 15 days worth of penalties are due. (\$75.11) See Penalty Calculation form.

CLAIM SCHEDULE

STD. 218 (Continuous) (REV. 3-91)

DATE FILED

PAYABLE FROM	FUND 0001	SUB	FUND NAME General Fund				
	AGENCY NO. 1234		AGENCY NAME Department of State Services				
APPROPRIATION	YR. OF STAT. 2008	METH	REFERENCE/ITEM 001	SEQ.	FFY 2008	CHAPTER 268	STATUTES
	PURPOSE General Operational Costs						

FED. CATALOG NUMBER	SCO PROJ.	CATEGORY	PGM	ELE.	COMP	TASK	GENERAL LEDGER	RECEIPT OBJECT	F/S	AMOUNT	DESCRIPTION
		30								36,980.61	

SCHEDULE NUMBER 10000001	
AUDIT CODE	SCH. TYPE
PRINT WARRANT DATE	
ISSUE WARR. DATE (REQUEST)	

LINE NO.	P.O. NO. or "C"	CLAIMANT	AMOUNT
1.	C 012345	Enchantment Supply Company	36,980.61

DATE ISSUED (ACTUAL)	
SIGN	CALC.
PURCH.	CONTR.

CONTROLLER'S WARRANT NUMBERS

I hereby certify under penalty of perjury as follows:	TOTAL OF SCHEDULE	36,980.61
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"That I am a duly appointed, qualified and acting officer of the herein named state agency, department, board, commission, office, or institution; that the within claim is in all respects true, correct, and in accordance with law; that the services mentioned herein were actually rendered and supplies delivered to the state agency in accordance with the contract and law; that authorizations for purchases have been duly obtained wherever required and that amounts claimed and articles delivered comply therewith; that the amounts of any refunds to claimants indicated herein were received from such claimants by the herein named agency in excess of that legally due it under the law, or are otherwise lawfully due such claimants; that all of the expenditures herein set forth are in accordance with the current budget allotments and provisions as approved by the Budget Division of the State Department of Finance, and that none of the expenditures are in excess thereof; that there has been full compliance with all provisions or restrictions in the budget act or any other appropriation relating to expenditures herein; that the claimants named herein are each entitled to the amount specified opposite their respective names and actually have been paid or will be paid as allowed when warrant is received from the State Controller; that I have not violated any of the provisions of Sections 1090 to 1096, inclusive, of the Government Code, in incurring the items of expense mentioned in the attached claim, or in any other way; that any disaster service worker for whom compensation or reimbursement for expenses incurred is claimed herein has, if required by law, taken, subscribed, and filed the oath set forth in Section 3103 of the Government Code."

SIGNED 	TITLE Accounting Supervisor	DATE 03/2/2009	NUMBER AMOUNT \$
APPROVED (If required) 		CONTACT TELEPHONE (Optional) (916) 789-3456	TOTAL SUBJECT TO USE TAX \$

CORRECTIONS ENTERED	
AUDITED	APPR. PAY.
F/A BAL. OK	WARR. OK
REPORTABLE PAYMENTS PER S.A.M. 8422.100	



RECEIVED
~FEB 2 2009~
Dept. of State
Services

ENCHANTMENT SUPPLY COMPANY
100 MAIN STREET
SAN FRANCISCO, CA 45678
415-345-6789

TRANSACTION DATE: JANUARY 31, 2009

INVOICE No. 987

P.O. OR CONTRACT No. 012345

ORDERED BY: DEPARTMENT OF STATE SERVICES
SPECIAL SERVICES BUREAU

CONTACT: MARY JONES

SOLD TO: DEPARTMENT OF STATE SERVICES
10001 CAPITOL MALL
SACRAMENTO, CA 98765

SHIP TO ADDRESS: SAME

QUANTITY	DESCRIPTION	AMOUNT
683	CASES PHOTOCOPY PAPER: BLUE @\$50.25 EACH	\$34,320.75
	TAX	<u>\$2,659.86</u>
	TOTAL	\$36,980.61

REMITTANCE ADVICE

STD. 404C (REV. 4-95)

STATE OF CALIFORNIA

THE ENCLOSED WARRANT IS IN PAYMENT OF THE INVOICES SHOWN BELOW

DEPARTMENT NAME	ORG. CODE	INVOICE DATE	INVOICE NUMBER	RPI	INVOICE AMOUNT
Department of State Services	1234				
DEPARTMENT ADDRESS 10001 Capitol Mall Sacramento, CA 98765	CLAIM SCHED. NO. 12345678	Jan 31, 2009	987		75.11

VENDOR

Enchantment Supply Company
100 Main Street
San Francisco, CA 45678

FEDERAL TAX ID NO. OR SSAN	RP TYPE	TAX YR	TOTAL REPORTED TO IRS	TOTAL PAYMENT
				75.11