date 3/31/89	subject **Payment of Vendors, Contractors, and Not-For-Profit Organizations**	item B-100
supersedes		page 1

1. Purpose and Scope:

To advise departments and agencies of certain steps to be taken in paying vendors, contractors, and not-for-profit organizations in accordance with the Prompt Payment Law (Article XI-A of the State Finance Law).

2. Background:

This item merely continues certain policy guidelines which have been in existence on a trial basis during Fiscal Year 1988-89.

As of July 1, 1988, the Prompt Payment Law required State departments and agencies to pay vendors, contractors, and not-for-profit organizations within 30 (instead of the former 45) days of receiving a proper invoice.

The administrative policies and guidelines set forth herein supplement the express provisions of the Prompt Payment Law and the regulations promulgated by the Comptroller in accordance with that statute (e.g., Accounting Bulletins A-91, A-92, A-175, and A-189). This budget bulletin is not intended to supersede or contravene such other provisions of law and regulation in any way.

3. Procedures and Agency Responsibilities:

In line with the above and in complying with the instructions issued by the Department of Audit and Control, departments and agencies are expected to take the following additional steps in connection with the processing of invoices received from vendors, contractors, and not-for-profit organizations:

a. Acceptance periods: Whenever appropriate, written contracts for goods or services should include a specified period of time to allow the receiving department or agency to inspect or audit goods delivered or services completed to ensure that all contract specifications have been complied with properly. The statutory 30-day interest-free payment processing period begins after the expiration of any such acceptance period set forth in a contract.

b. Receiving reports: By law, departments and agencies must submit vouchers to the Department of Audit and Control within 22 days of receiving a proper invoice in order to be assured that they will not be charged interest for late payments. In view of this, department or agency personnel should be instructed (i) to sign receiving reports for the delivery of goods or services on the same date that such goods or services are accepted as delivered or completed and (ii) to see to it that the signed receiving

reports are in the agency's designated payment office no more than five days after that acceptance date.

c. Scheduling of payments: In completing vouchers for submission to the Department of Audit and Control, departments and agencies should enter a scheduled payment date which falls as close as possible to, but not later than, the 30th day of the interest-free period (see attachment A), except:

(i) When doing so would prevent the department or agency from taking a discount of the type discussed below; or

(ii) When it is necessary to schedule in earlier payment in order to protect persons whose welfare is the responsibility of the State government, to avoid jeopardizing public safety, or to preserve the financial solvency of a small business (see section 139-g of the State Finance Law).

d. Payment discounts: Whenever possible, and in accordance with such guidelines as may be promulgated by the Department of Audit and Control, departments and agencies should negotiate contracts to include specified discounts for payments made in less than 30 days from the receipt of a proper invoice. And, whenever such discounts can be taken, in preparing vouchers, departments and agencies should schedule payment dates as close as possible to, but not later than, the last date of the discount period.

On a separate but related note, section 179-h of the State Finance Law provides that any interest charges incurred by a department or agency due to late payments should not result in any reduced compensation to the providers of goods or services or in any reduced programmatic activity but should be absorbed instead within the amounts available for the administration and operations of the State department or agency.