



**MAY THE CLAUSE
BE WITH YOUSM**

Prompt Payment Clause

52.232-25

Your Instructor



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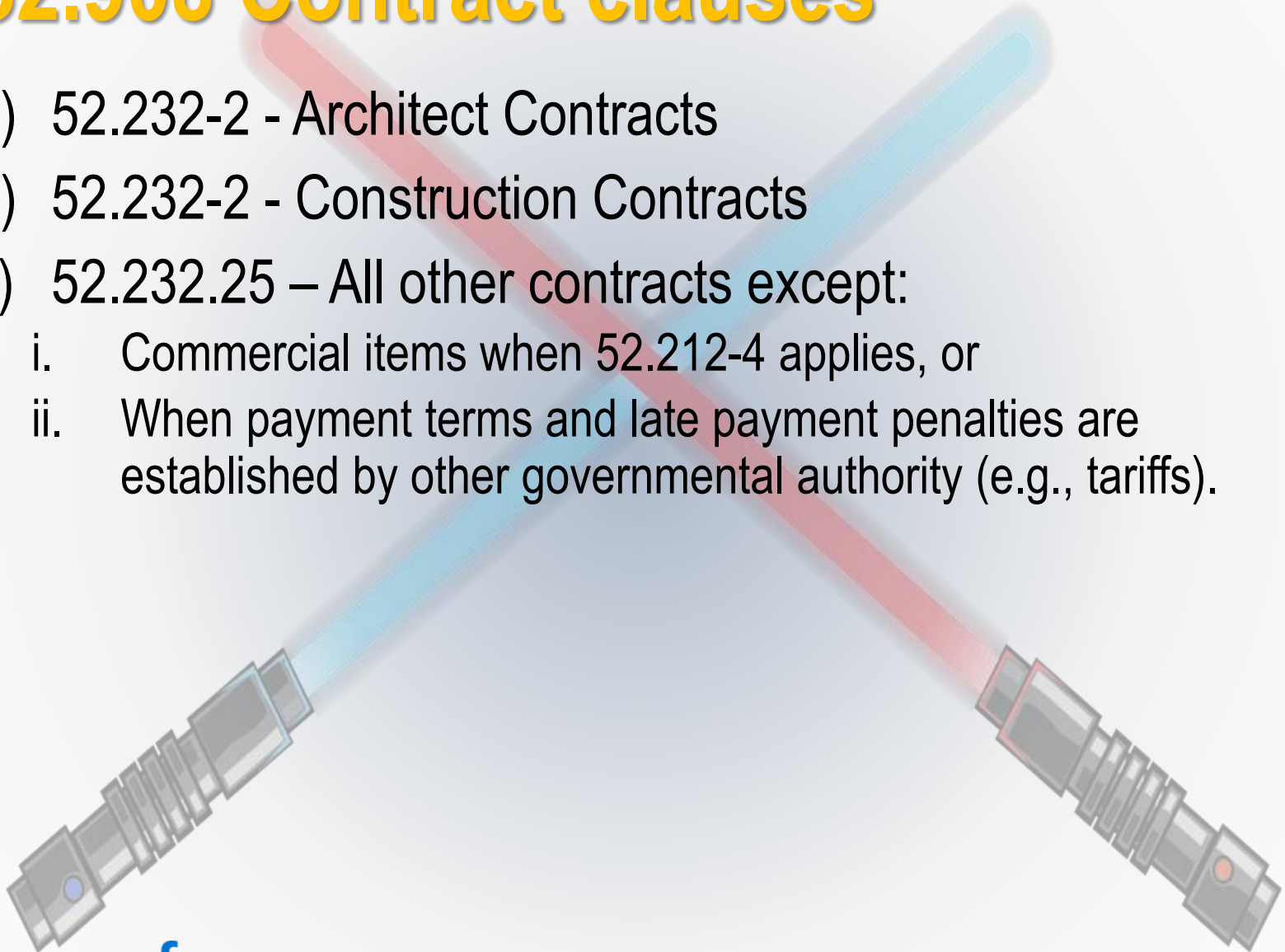
What is the Prompt Payment Act?

- In 1982, Congress passed the Prompt Payment Act
- Requires Federal agencies to:
 - Pay their bills on a timely basis
 - Pay interest penalties when payments are made late
 - Take discounts
- Title 31 of the United States Code, Chapter 39



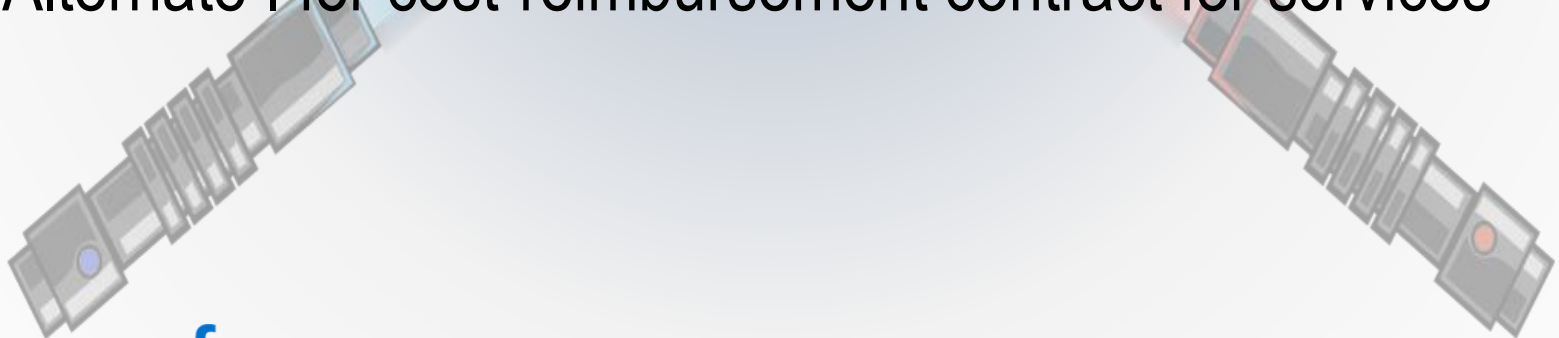
32.908 Contract clauses

- a) 52.232-2 - Architect Contracts
- b) 52.232-2 - Construction Contracts
- c) 52.232.25 – All other contracts except:
 - i. Commercial items when 52.212-4 applies, or
 - ii. When payment terms and late payment penalties are established by other governmental authority (e.g., tariffs).



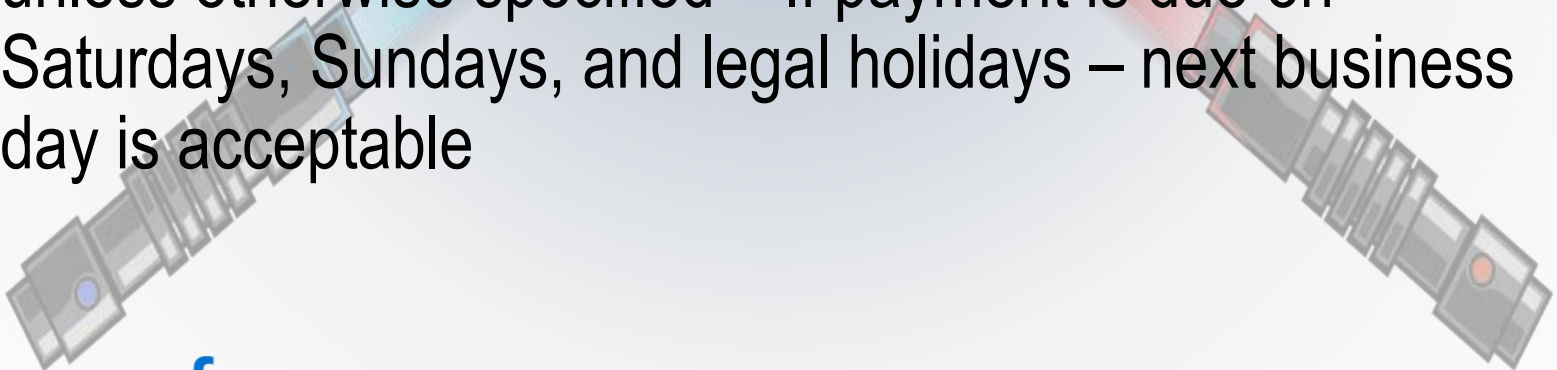
32.908 – Modifications/Amendments

- CO may modify the date for penalties to specify a period longer than 7 days for constructive acceptance:
 - Give Gov't a reasonable opportunity to inspect and test the supplies furnished or to evaluate the services performed, except for the purchase of a commercial product or commercial service
- Agency policies and procedures may authorize amendment to insert a period shorter than 30 days (but not less than 7 days)
- Alternate I for cost-reimbursement contract for services



52.232-25 Prompt Payment

- Notwithstanding any other payment clause in this contract, the Government will make invoice payments under the terms and conditions specified in this clause.
- Payment is made on the day a check is dated or the date of an electronic funds transfer (EFT).
- Definitions of pertinent terms - 2.101, 32.001, and 32.902
- All days referred to in this clause are calendar days, unless otherwise specified – If payment is due on Saturdays, Sundays, and legal holidays – next business day is acceptable

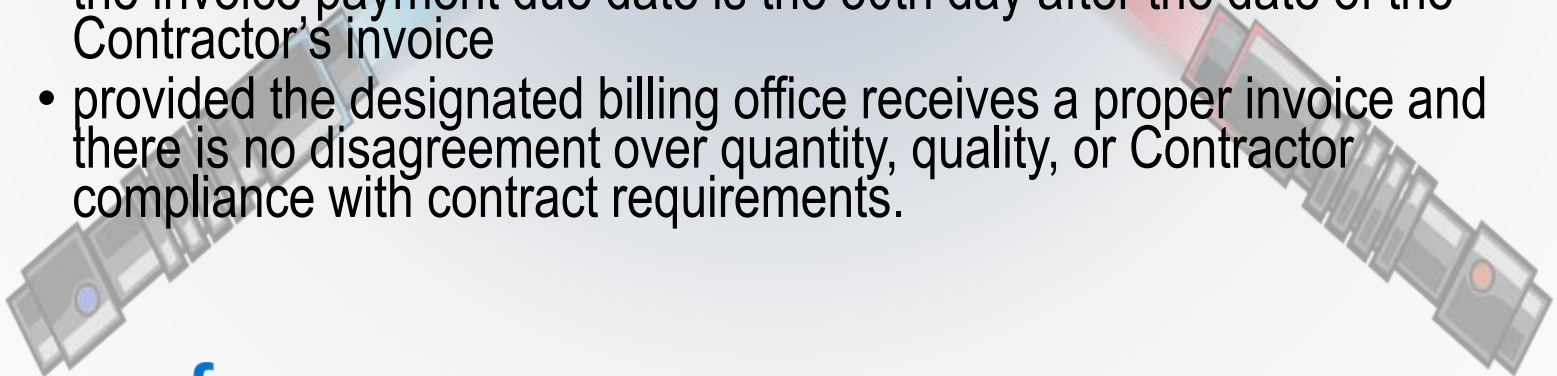


32.902 Definitions

- Discount for prompt payment means an invoice payment reduction offered by the contractor for payment prior to the due date.
- Mixed invoice means an invoice that contains items with different payment due dates.
- Payment date means the date on which a check for payment is dated or, for an electronic funds transfer (EFT), the settlement date.
- Settlement date, as it applies to electronic funds transfer, means the date on which an electronic funds transfer payment is credited to the contractor's financial institution.

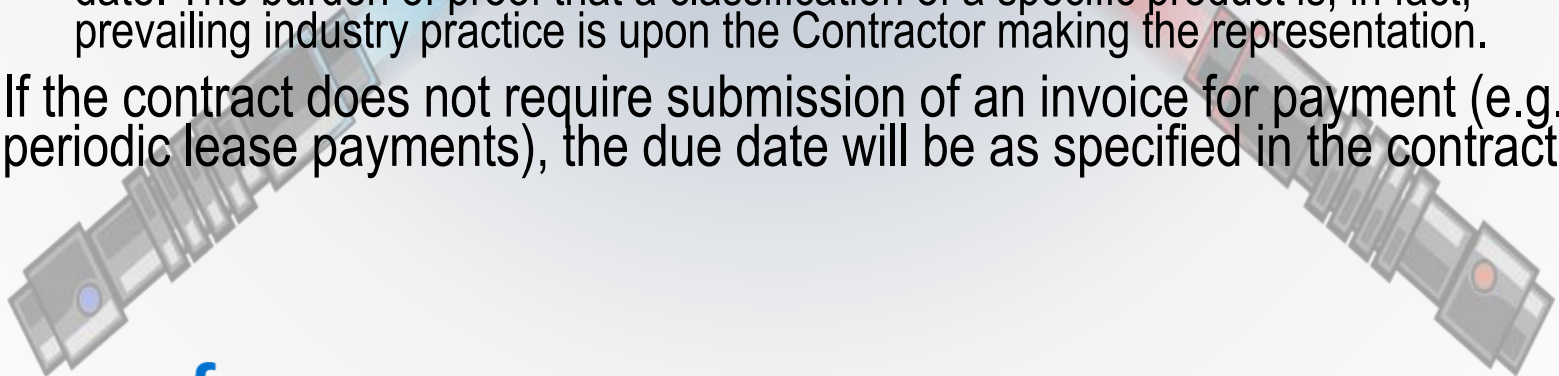
Invoice payments – Due Date

- Due date for making invoice payments is the later of:
 - the 30th day after receipt of a proper invoice from the Contractor, or
 - the 30th day after Government acceptance of supplies delivered or services performed.
- Different dates for certain food products and
- For a final invoice, when the payment amount is subject to contract settlement actions, acceptance is deemed to occur on the effective date of the contract settlement.
- If the designated billing office fails to annotate the invoice with the actual date of receipt at the time of receipt:
 - the invoice payment due date is the 30th day after the date of the Contractor's invoice
 - provided the designated billing office receives a proper invoice and there is no disagreement over quantity, quality, or Contractor compliance with contract requirements.



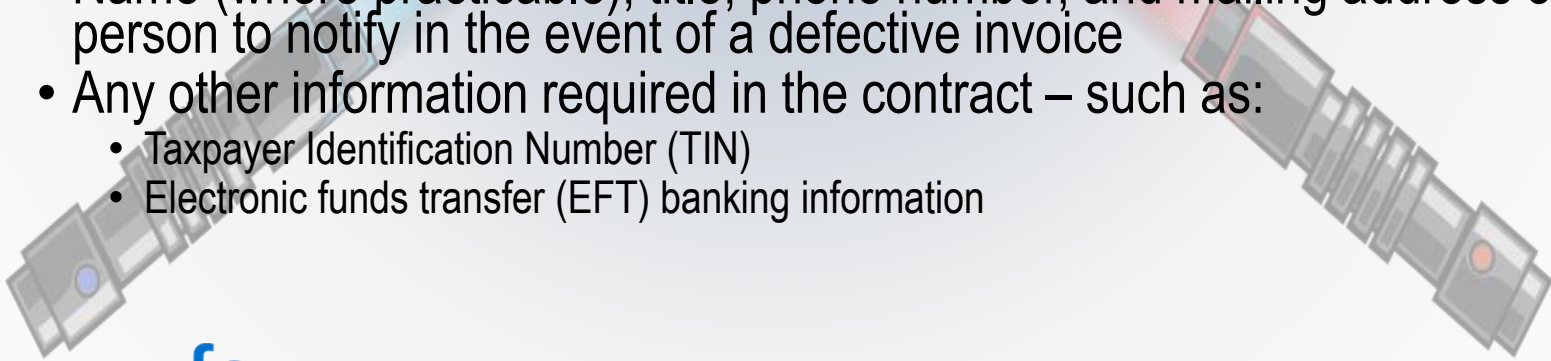
Certain Food Products and Other Payments

- For meat or meat food products - as close as possible to, but not later than, the 7th day after product delivery
- For fresh or frozen fish - as close as possible to, but not later than, the 7th day after product delivery
- For perishable agricultural commodities - as close as possible to, but not later than, the 10th day after product delivery, unless another date is specified in the contract
- For dairy products, edible fats or oils, and food products prepared from edible fats or oils – as close as possible to, but not later than, the 10th day after the date on which a proper invoice has been received.
 - When questions arise regarding the proper classification of a specific product, prevailing industry practices will be followed in specifying a contract payment due date. The burden of proof that a classification of a specific product is, in fact, prevailing industry practice is upon the Contractor making the representation.
- If the contract does not require submission of an invoice for payment (e.g., periodic lease payments), the due date will be as specified in the contract



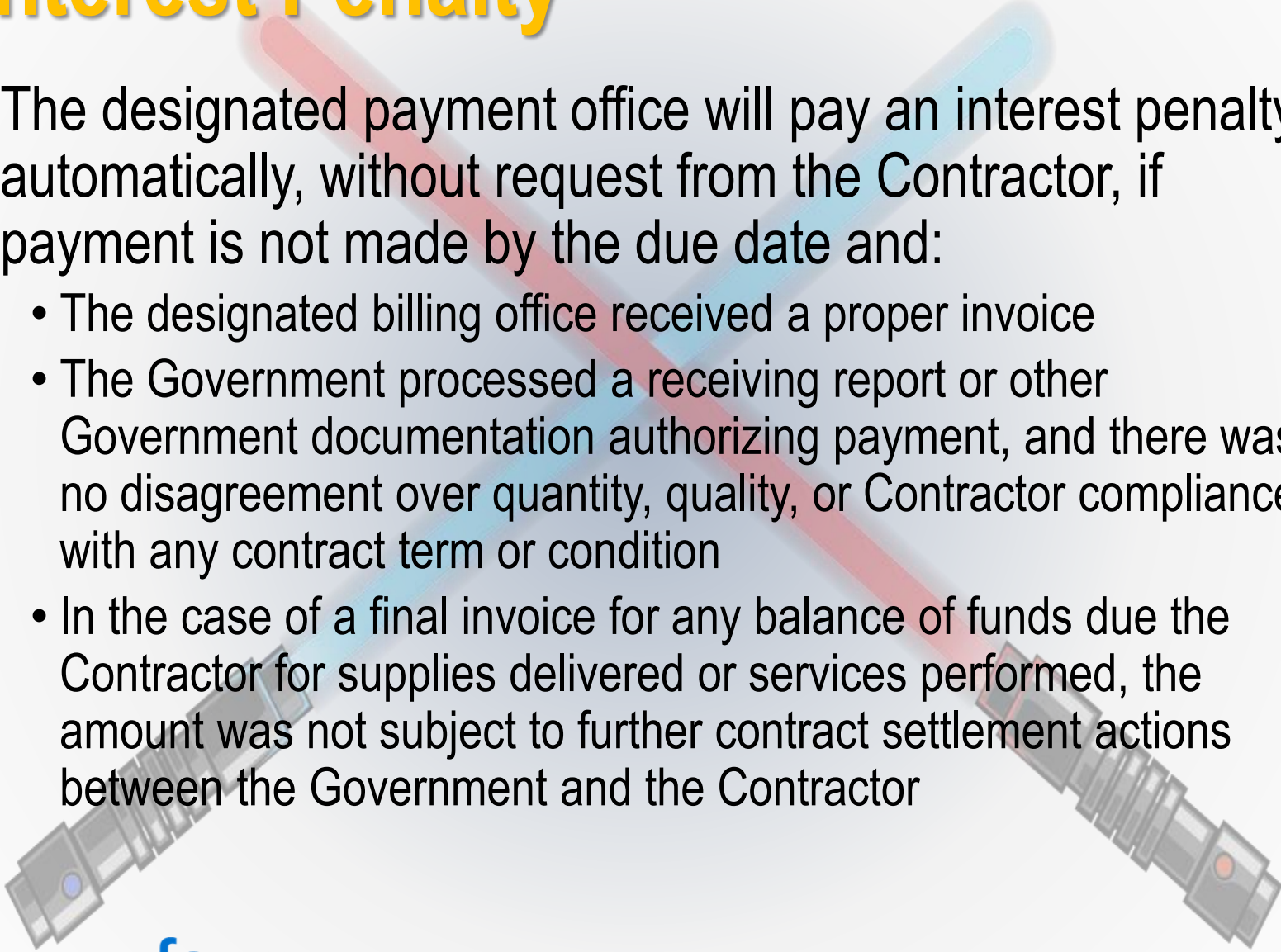
Contractor Invoice

- The Contractor shall prepare and submit invoices to the designated billing office specified in the contract.
- A proper invoice must include:
 - Name and address of the Contractor.
 - Invoice date and invoice number. (The contractor should date invoices as close as possible to the date of the mailing or transmission.)
 - Contract number or other authorization
 - Description, quantity, unit of measure, unit price, and extended price
 - Shipping and payment terms (e.g., shipment number and date of shipment, discount for prompt payment terms).
 - Name and address of Contractor official to whom payment is to be sent
 - Name (where practicable), title, phone number, and mailing address of person to notify in the event of a defective invoice
 - Any other information required in the contract – such as:
 - Taxpayer Identification Number (TIN)
 - Electronic funds transfer (EFT) banking information



Interest Penalty

- The designated payment office will pay an interest penalty automatically, without request from the Contractor, if payment is not made by the due date and:
 - The designated billing office received a proper invoice
 - The Government processed a receiving report or other Government documentation authorizing payment, and there was no disagreement over quantity, quality, or Contractor compliance with any contract term or condition
 - In the case of a final invoice for any balance of funds due the Contractor for supplies delivered or services performed, the amount was not subject to further contract settlement actions between the Government and the Contractor



Computing penalty amount

- The Government will compute the interest penalty in accordance with OMB's prompt payment regulations at 5 CFR Part 1315.
- Constructive acceptance - For the sole purpose of computing an interest penalty - Government acceptance is deemed to occur constructively on the 7th day (unless otherwise specified in this contract) after acceptable delivery
- Actual acceptance - If actual acceptance occurs within the constructive acceptance period, the Government will base the determination of an interest penalty on the actual date of acceptance.
- The constructive acceptance requirement does not compel Government officials to accept supplies or services, perform contract administration functions, or make payment prior to fulfilling their responsibilities.
- Government is not required to pay interest penalties if payment delays are due to disagreement between the Government and the Contractor over the payment amount or other issues involving contract compliance, or on amounts temporarily withheld or retained in accordance with the terms of the contract.
- Disputes and any interest that may be payable - FAR 52.233-1, Disputes.

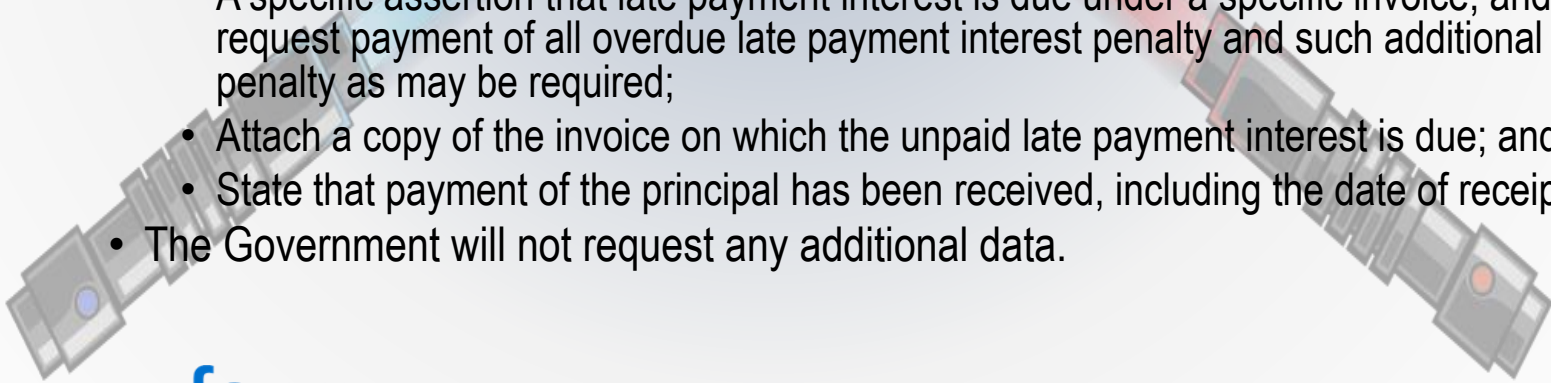
Discounts for prompt payment

- The designated payment office will pay an interest penalty automatically, without request from the Contractor, if the Government takes a discount for prompt payment improperly.
- The Government will calculate the interest penalty in accordance with the prompt payment regulations at 5 CFR Part 1315.



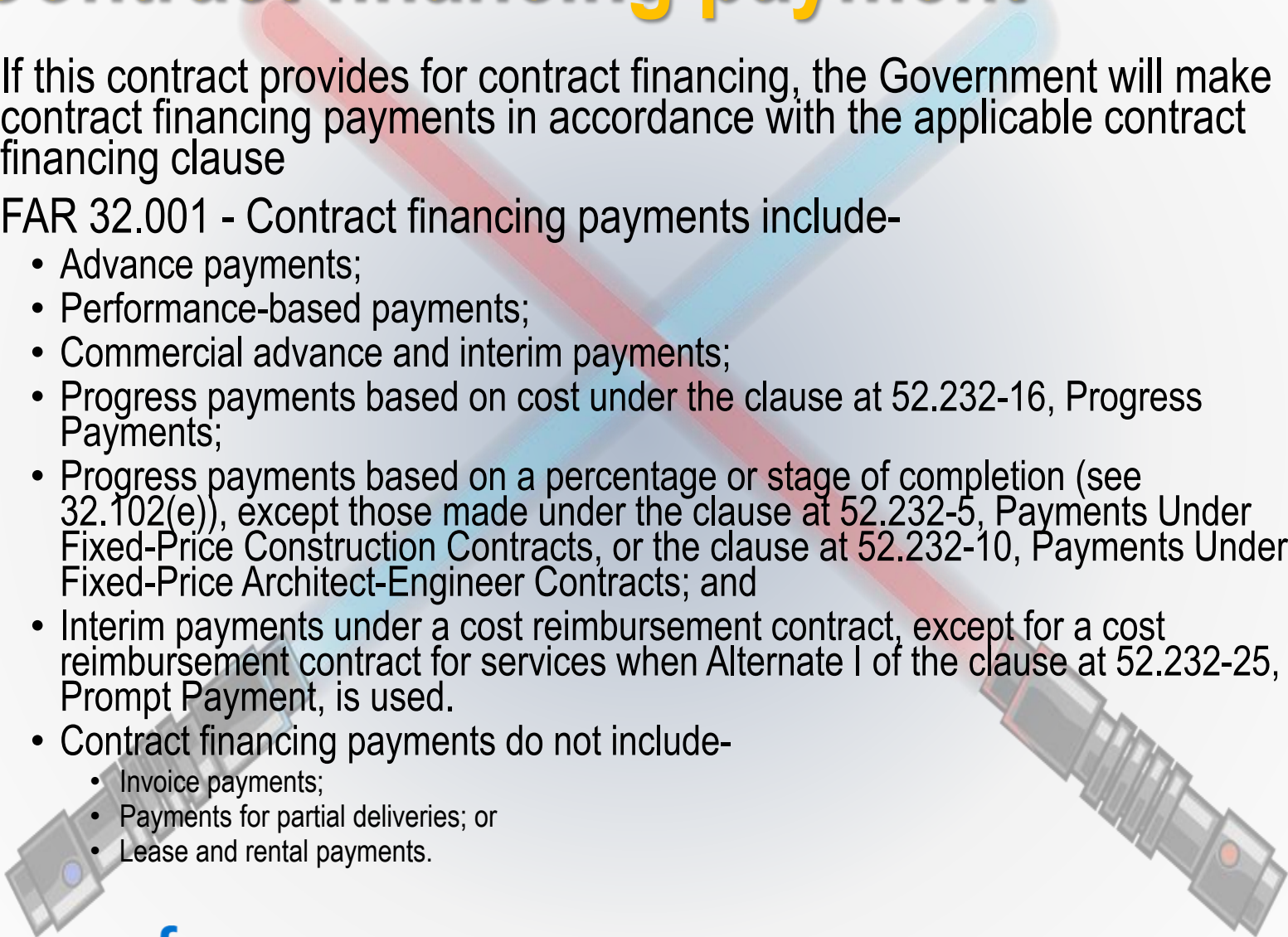
Additional interest penalty

- The government will pay a penalty in addition to the interest penalty amount if:
 - The Government owes an interest penalty of \$1 or more;
 - The designated payment office does not pay the interest penalty within 10 days after the date the invoice amount is paid; and
 - The Contractor makes a written demand to the designated payment office for additional penalty payment:
 - Postmarked not later than 40 days after the invoice amount is paid. (No legible postmark – 40th day after payment received)
 - Written demands must include:
 - A specific assertion that late payment interest is due under a specific invoice, and request payment of all overdue late payment interest penalty and such additional penalty as may be required;
 - Attach a copy of the invoice on which the unpaid late payment interest is due; and
 - State that payment of the principal has been received, including the date of receipt.
 - The Government will not request any additional data.



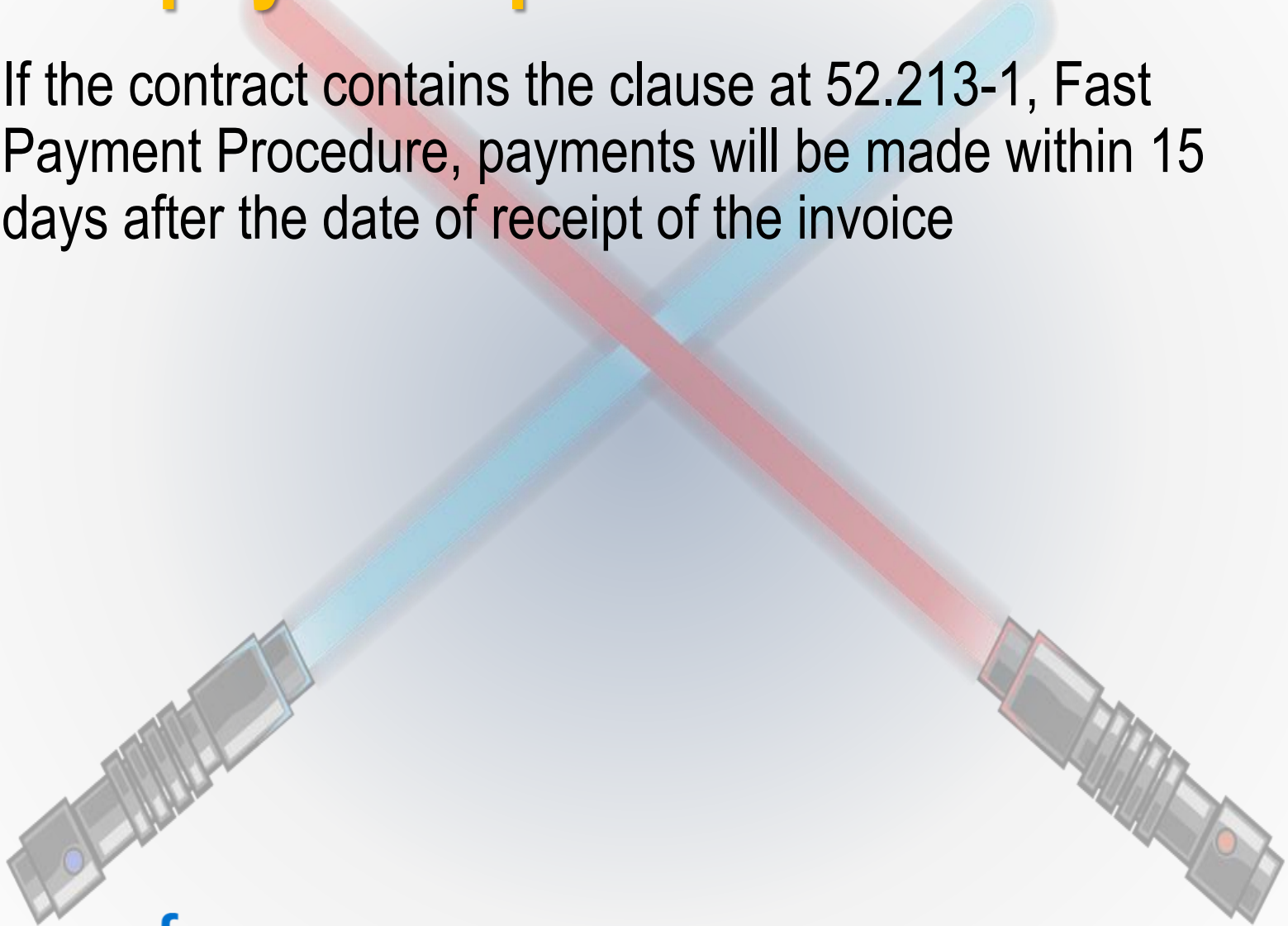
Contract financing payment

- If this contract provides for contract financing, the Government will make contract financing payments in accordance with the applicable contract financing clause
- FAR 32.001 - Contract financing payments include-
 - Advance payments;
 - Performance-based payments;
 - Commercial advance and interim payments;
 - Progress payments based on cost under the clause at 52.232-16, Progress Payments;
 - Progress payments based on a percentage or stage of completion (see 32.102(e)), except those made under the clause at 52.232-5, Payments Under Fixed-Price Construction Contracts, or the clause at 52.232-10, Payments Under Fixed-Price Architect-Engineer Contracts; and
 - Interim payments under a cost reimbursement contract, except for a cost reimbursement contract for services when Alternate I of the clause at 52.232-25, Prompt Payment, is used.
 - Contract financing payments do not include-
 - Invoice payments;
 - Payments for partial deliveries; or
 - Lease and rental payments.



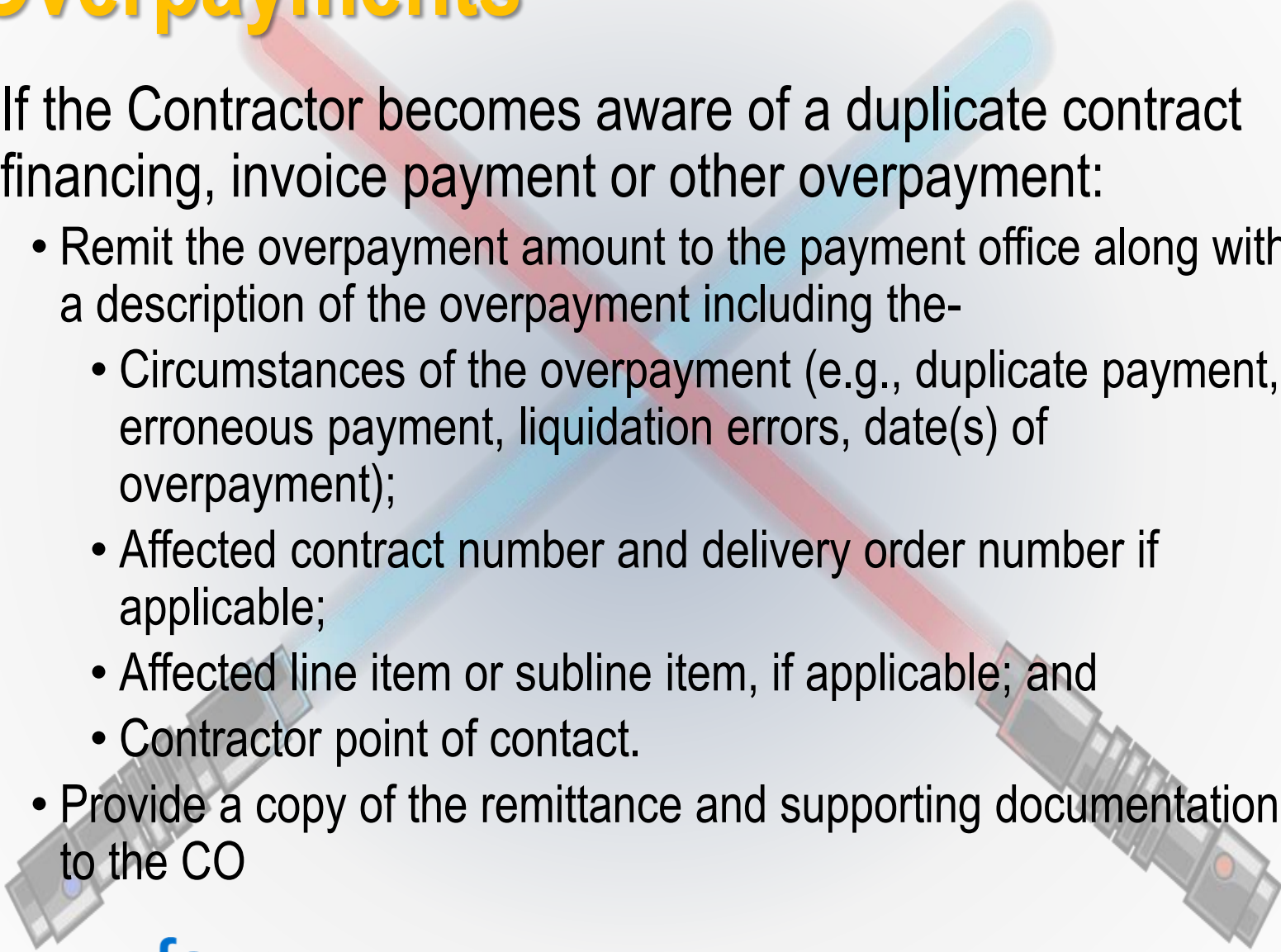
Fast payment procedure due dates

- If the contract contains the clause at 52.213-1, Fast Payment Procedure, payments will be made within 15 days after the date of receipt of the invoice



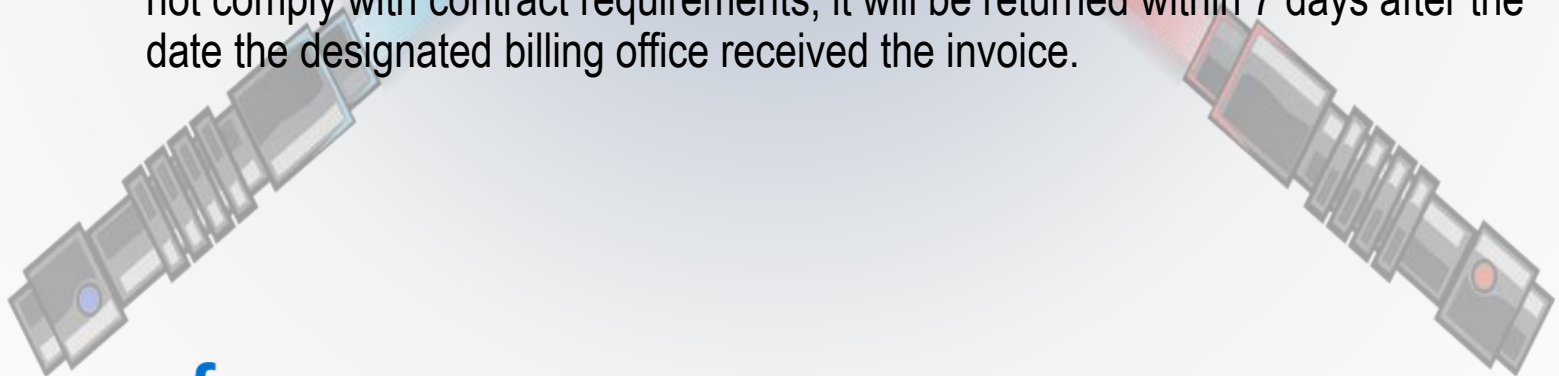
Overpayments

- If the Contractor becomes aware of a duplicate contract financing, invoice payment or other overpayment:
 - Remit the overpayment amount to the payment office along with a description of the overpayment including the-
 - Circumstances of the overpayment (e.g., duplicate payment, erroneous payment, liquidation errors, date(s) of overpayment);
 - Affected contract number and delivery order number if applicable;
 - Affected line item or subline item, if applicable; and
 - Contractor point of contact.
 - Provide a copy of the remittance and supporting documentation to the CO



Alternate I

- For cost-reimbursement contracts for services, add the following paragraph (e) to the basic clause:
 - For interim payments under cost-reimbursement contract for services-
 - Paragraphs (a)(2), (a)(3), (a)(4)(ii), (a)(4)(iii), and (a)(5)(i) do not apply;
 - For purposes of computing late payment interest penalties that may apply, the due date for payment is the 30th day after the designated billing office receives a proper invoice; and
 - The contractor shall submit invoices for interim payments in accordance with paragraph (a) of FAR 52.216-7, Allowable Cost and Payment. If the invoice does not comply with contract requirements, it will be returned within 7 days after the date the designated billing office received the invoice.



Thank you for your time!

- Call or reach out with any questions:

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