

Prompt Payment for Goods or Services

Policy

The policy of the Chief Financial Officer is to pay invoices promptly. The following specific time periods have been established to ensure prompt payment:

- Approval and inspection of goods or services will be completed in 5 working days unless the bid specifications, purchase order, or contract specifies otherwise.
- Invoices for undisputed amounts must be approved by the agency and electronically transmitted to the Department of Financial Services (DFS). Each invoice must be submitted no later than 20 days after receipt, inspection, and approval of the goods or services and receipt of the invoice. DFS may waive this requirement for exceptional circumstances.
- DFS must approve the invoice no later than 10 calendar days (or no later than six working days if the 10-day period includes less than six working days) after receipt from the agency.

The Agency must pay interest, in addition to the amount of the invoice if there is no error on the part of the vendor and a warrant/EFT is not issued within 40 days (or within 35 days for payments to health care providers) after receipt, inspection, and approval of the goods and services and receipt of the invoice.

Definitions

Agency

“State agency” or “agency” means any official, officer, commission, board, authority, council, committee, or department of the executive or judicial branch of state government.

Basis Date

The date on which prompt payment calculations are based. The basis date is the latter of: the date the invoice is received (invoice receipt date) or the date that goods and/or services are inspected and approved. This date is entered on vouchers in Aspire.

Bona Fide Dispute

A good faith controversy with regard to quality, quantity, price or other matters, which relates to the goods or services provided by the vendor to the agency; or with regards to the claim of reimbursement submitted by a state officer or employee to the agency. A bona fide dispute shall not relate to the interest penalty amount.

Electronic Funds Transfer

A transfer of funds to the payee's financial institution by electronic means rather than paper-based payment methods. Also known as Direct Deposit or EFT.

Exceptional Circumstances

Situations or events which, in the opinion of the Department of Financial Services, could not be reasonably anticipated by the agency. Examples include, but are not limited to: excusable delay in inspection or testing the goods or services; circumstances beyond the reasonable control of the agency; or delays or errors in delivery. The Department of Financial Services may determine that certain similar unforeseeable acts, conditions occurrences or events are exceptional circumstances.

Invoice Receipt Date

The date an invoice is first received at the place designated by the agency in the contract or purchase order. The agency is deemed to have received the invoice on the date of the invoice if the agency has failed to annotate the invoice with actual date of the receipt. The agency is deemed to have received the invoice on the date the invoice is received by the agency at any place if the agency failed to designate a specific location to which the invoice must be delivered at the time the order is placed or contract made. Receipt, in the case of travel and other reimbursements to state officer or employees, means the date a properly completed reimbursement form is received by the officer's or employee's supervisor or person authorized to approve same. Receipt means the date a properly completed reimbursement form is received by the appropriate fiscal office applicable to that person when the payee and approval authority are one and the same.

Invoice

An original document delivered to a purchaser showing the character, quantity, price, terms, nature of delivery, and other particulars of goods sold or services rendered when supplied by a vendor. A written original reimbursement request when reimbursing state officers and employees.

Vendor

1. A supplier of goods and/or services. 2. A vendor is anyone required to provide a Taxpayer Identification Number (TIN) to the State of Florida for W-9 purposes. 3. A vendor, in the context of federal grant awards, is generally, is a dealer, distributor, merchant, or other seller providing goods or services that are required for conducting a federal or state program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal or state program. However, in some cases a state agency employed by the prime agency to perform tasks, provide services, carry out a program, etc. may be classified as a vendor by the federal government if certain criteria outlined by the Federal Office of Management and Budget are met (see Circular A-133 for more information). 4. Information as to vendor classification in the context of state financial assistance programs is outlined in the Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Subrecipient Vs. Vendor Determination checklist. The checklist is available electronically from the Appendix of Forms section of the Financial Management Manual.

Voucher

Transaction used to record invoice details in Aspire and to initiate the payment process. There is a 1:1 relationship between a voucher and an invoice, i.e., a voucher contains details for just one invoice.

Background

The Florida Prompt Payment law applies to all payments to vendors for goods and services purchased by state agencies. The law also applies to travel and other reimbursement payments to state employees. The law requires an interest penalty payment for payments not processed under specified time constraints.

The statutes also require that the budget request submitted to the Legislature specifically disclose the amount of any interest paid by the agency as a result of prompt payment requirements. A report/query will be available for agencies to determine how much interest has been paid for the fiscal year. The temporary unavailability of funds to make

a timely payment due for goods or services does not relieve an agency from the obligation to pay interest penalties.

Persistent failure to comply with prompt payment requirements will constitute good cause for discharge of employees duly found responsible, or predominantly responsible, for failure to comply.

Procedures

These procedures are provided for the implementation of the prompt payment of goods and services policy in Aspire. The purpose of the procedure is to provide Agencies with operational guidelines for adhering to the time constraints outlined in the statute for processing payments.

1. The Agency must develop internal controls and procedures to ensure compliance with the prompt payment requirements stated in this policy.
2. The Agency must inspect and approve goods or services no later than 5 working days after the receipt of the goods and/or services unless the bid specifications, purchase order, or contract specifies otherwise.
 - a) Each Agency will keep a record of the invoice receipt date, the date the goods/services were received and the date of approval and inspection of the goods/services. Some agencies use a “three date stamp” to track these dates. Whatever means the Agency will use for tracking these dates should be specified in the Agency’s internal controls and procedures.
 - b) The agency will record the vendor invoice date, date invoice received, and the basis date on the Aspire Voucher. The latter of invoice receipt date, goods/services received date or inspection and approved date will be entered on the Aspire voucher as the basis date.
3. The Agency must record the invoice information on a voucher and approve the voucher in Aspire no later than 20 days after the invoice receipt date, and the receipt, inspection, and approval of the goods and/or services.
 - a) DFS may waive this requirement for exceptional circumstances.
 - b) In the case of a bona fide dispute, the voucher must contain a statement of the dispute and authorize payment only in the amount not disputed. Disputes will be resolved in accordance with 215.422 (2) (b) F.S..

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4. Agencies have the responsibility to schedule the payment for creation in a manner that ensures compliance with the 40 day (35 days for healthcare providers) time constraint for issuing payments without incurring an interest penalty.
 - a) Payment for hospital, medical, or other health care services, which are to be reimbursed by an Agency, will be made to the health care provider not more than 35 days from the date eligibility for payment of such claim is determined.
 - b) Payments are scheduled by using the Aspire pay terms functionality on the Voucher processing pages. See the Payment Scheduling policy for additional information.
 - c) A payment is deemed to be issued on the first working day that payment is available for delivery or mailing to the vendor. Agencies will continue to deliver or mail state warrants promptly.
 - d) The voucher will be routed to DFS for approval if selected by the system for pre-audit.
5. DFS will approve the voucher for payment no later than 10 days after receipt from the Agency.
 - a) This requirement may be waived in whole or in part by DFS due to exceptional circumstances.
 - b) If the 10-day period contains fewer than 6 working days, DFS will be deemed in compliance if the payment is approved within 6 working days without regard to the actual number of calendar days.
6. If payment of the undisputed amount of an invoice is not issued within 40 days (35 days for healthcare providers) after receipt of the invoice and receipt, inspection, and approval of the goods and services, the Agency will pay to the vendor, in addition to the amount of the invoice, interest at a rate as established by statute on the unpaid balance from the expiration of such 40-day (35 days for healthcare providers) period until such time as the payment is issued to the vendor.
 - a) If payment is not issued to a health care provider within 35 days after the date eligibility for payment of the claim is determined, the Agency will pay the health care provider interest at a rate of 1 percent per month calculated on a calendar day basis on the unpaid balance from the expiration of such 35-day period until such time as payment is made to the health care provider, unless a waiver in whole has been granted by the Department of Financial Services.
 - b) The Agency must review and approve the interest penalty payment within 15 days after issuing the payment for the original invoice.
 - c) The 40-day period will begin to run upon receipt by the Agency of a corrected invoice or other remedy of the error in the case of an error on the part of the vendor.

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7. Any interest owed as a result of non-compliance with prompt payment requirements must be paid as follows:
- The system will generate an interest penalty voucher with the same appropriation that was used for paying the goods or services. The comments section of the interest penalty voucher will contain the original voucher ID and amount for reference purposes. The Tracking Status code on the Voucher Processing page will default to 01.
 - The Agency must change the value in the Tracking Status code in order for the voucher to be saved successfully. This field contains a drop down menu with the following selections:

Tracking Status Code	Long Name	Short Name	Definition
01	Interest Penalty Due	Interest Due	Interest Penalty Payment is due to the Vendor
02	Interest Penalty Approved	Interest Approved	Agency has approved the interest penalty payment
05	Interest Penalty to be Deleted	To be Deleted	Interest Penalty Payment was generated in error and Agency requests it be deleted
08	Waiver of Interest Penalty	Waived Interest	Agency requests waiver of the interest penalty payment due to special circumstances

- The agency may manually adjust the interest penalty voucher and provide adequate explanation in the Comments field if there is an error (i.e. Basis Date entered incorrectly).
- The voucher will be routed through the affected agency's workflow for approval.
- The account value should identify the interest payment as either a current expenditure or a capital expense for financial reporting purposes. See the Capital Expense Versus Current Expenditure topic in the Financial Management Manual for additional information. The interest penalty payment should also be recorded with the proper account value to identify the

- payment as either an interest payment for a non-healthcare provider or for a health care provider.
- f) Appropriate documentation must be maintained within the agency for audit purposes.
 - g) The Interest Penalty payment will be routed to DFS after final approval by the Agency. All Interest Penalty payments must be approved or deleted by DFS.
8. The Department of Financial Services will monitor each Agency's compliance with the prompt payment time limits and interest penalty provisions. DFS will provide a report to an Agency if the Agency has failed to maintain an acceptable rate of compliance.
- a) The Agency is considered to have an acceptable compliance rate if 95% of its vouchers are submitted not later than 20 days after the invoice receipt date and receipt, inspection, and approval of the goods and/or services.
 - b) The report will also include a list of late vouchers and the amount of interest owed or paid
9. Each agency will include in the official position description of every officer or employee, who is responsible for either the approval or processing of vendors' invoices or the distribution of warrants/EFTs to vendors, that the requirements of this policy are mandatory.
10. Prompt payment requirements will apply to partial payments in the same manner as they apply to full payments.
11. Revolving fund disbursements/replenishments must comply with prompt payment provisions of Section 215.422, Florida Statutes when making disbursements from agency revolving funds. Vouchers for the replenishment of a revolving fund are subject to an interest penalty payment and will be paid in the same manner outlined in step 7.
12. All prompt payment requirements are still applicable if a state agency or the judicial branch contracts with a third party. The state agency or judicial branch is responsible for paying vendors the interest assessed for untimely payment. The state agency or judicial branch may, through its contract with a third party, require the third party to pay interest from the third party's funds.

Policy Approval Dates

Department of Financial Services

Approved

(insert date)

Authority and References

215.422, F.S., 69I-24 FAC

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Document Version Control

Version Number	Release Date	Version Number Description	Description of Changes
v1	04/25/05	Initial Draft	
v2-15			Revisions by Developer
v16	10/26/05		Draft for Financial Policy Committee Review
v17-24			Revisions by Developer.
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