

**Effective July 1, 2021**

**CHIEF FINANCIAL OFFICER MEMORANDUM NO. 18**

**SUBJECT: PROMPT PAYMENT COMPLIANCE AND INTEREST PENALTY MONITORING**

The Vendor Ombudsman within the Department of Financial Services (DFS) is responsible for monitoring compliance of agency prompt payment and interest penalty resolution per section 215.422(7), Florida Statutes (F.S.).

**Prompt Payment Compliance**

Section 215.422 (1), F.S., outlines the processing time limits for invoice approval (prompt payment). Agencies must submit invoices for payment not later than 20 days after receipt of the invoice and receipt, inspection, and approval of the goods or services. The Transaction Date field in the Florida Accounting Information Resource (FLAIR) is used to calculate prompt payment compliance. Agencies should record the later of the date the goods or services are received, inspected, and approved or the date the invoice is received. For advance payments, agencies should record all zeroes in this field.

“Receipt of Invoice” for the purpose of travel and other reimbursements to state officers and employees is the date a properly completed reimbursement form is received by the officer’s or employee’s supervisor or person authorized to approve the reimbursement form. In the event the traveler and approving authority is the same person, the date the reimbursement form is received by the fiscal office should be used as the received date.

Section 215.422(6), F.S., requires DFS to establish an acceptable rate of prompt payment compliance and to report agency performance to the standard. The prompt payment standard is currently set at 95 percent (95%). DFS issues a quarterly report to those agencies that fail to meet the standard. The agency is required to submit a written response to the Vendor Ombudsman within 30 days of notification to explain the occurrences of noncompliance and the corrective action the agency is taking to improve compliance.

**Assessed Interest Penalties**

Section 215.422(3)(b), F.S., requires interest to be paid to the vendor if a warrant is not issued within 40 days after receipt of the invoice and receipt, inspection, and approval of the goods and services. Section 215.422(13), F.S., sets unique interest penalty requirements for health care providers. Interest penalty payments accrue for health care providers after 35 days from the date eligibility for payment of the claim is determined. The Statewide Expenditure Object Code List identifies the object codes subject to these statutes. This list can be found at:  
<http://www.myfloridacfo.com/Division/AA/ObjectCodeProjectDocs.htm>.

In addition, section 215.422(14) F.S., has been added to require certain agreements funded with federal or state assistance to be subject to Prompt Payment requirements. This includes the object codes in the 7510XX, 7512XX, 7800XX, and 7802XX series.

A daily interest penalty report is available in the Report Distribution System (RDS). Agencies should review all interest penalty invoices to determine the appropriateness of the interest calculated. Interest penalties owed to vendors must be processed within 15 days after the warrant is issued. The Vendor Ombudsman monitors agency compliance with this requirement. DFS will report non-compliance to the agencies on a monthly basis if an agency has an interest penalty over 15 days old.

DFS does not require agencies to pay interest penalty invoices of less than \$1.00 unless the vendor asserts their right to the interest penalty payment either orally or in writing. Agencies should use Object Code 891000 when vouchering the interest penalty invoices. Agencies should also record the interest penalty invoice number in the invoice field so the payment will be accurately recorded in FLAIR. Interest payments should be made from the same FLAIR disbursement account as the original payment.

Authorized agency personnel have the ability to delete an interest penalty assessed in error. Supporting documentation verifying that interest penalty is not owed must be maintained by the agency. The Vendor Ombudsman will sample deleted penalties monthly and agencies will be required to provide justification for deletion if requested.

Contact the Vendor Ombudsman at (850) 413-5516 if you have any questions or concerns.