

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14.R, VOLUME 10, CHAPTER 7
“PROMPT PAYMENT ACT”**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure with the substantive change or revision.

Hyperlinks are denoted by *underlined, bold italic font*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity. Revised references, eliminated duplicative references, and added references. Added electronic links.	Update
0701	Added an Overview section to provide the chapter purpose and general information.	Add
0702	Updated information concerning the exceptions to the Prompt Payment Act (PPA).	Update
070203.C.1. a and b	Added section on the handling of interim payments on cost reimbursement contracts for services and fast pay invoices where receiving reports are not required.	Add
070203.D	Added information stating that payment requests under cost reimbursement service contracts are deemed proper if they conform to the contract.	Add
070203.E	Added information concerning the payments made during emergencies and military contingency operations may be exempt from the requirements of FAR 32.9 Prompt Payment.	Add
070209	Revised information on funding interest penalty payments.	Update
0703	Revised information on quality control program requirements for DoD Components.	Update
070601 (Old version)	Deleted requirement and instructions for the Prompt Payment Act (PPA) Report (A) 1607 and the PPA Report (Q) 1619.	Delete

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CHAPTER 7

PROMPT PAYMENT ACT0701 OVERVIEW

★ 070101. Purpose. This chapter prescribes the Prompt Payment Act (PPA) policy for payments to vendors and contractors as mandated by *Title 5, Code of Federal Regulations (CFR), Part 1315*. The chapter focuses on timely payment, determination of appropriate due dates, the penalty for late payment, required documentation, and receipt and acceptance dates. The chapter also provides information on quality controls for payments.

★ 070102. General. The PPA, found at *Chapter 39 of Title 31, United States Code (USC)*, requires Department of Defense (DoD) Components to pay their bills on time, pay interest penalties when payments are made late, and take discounts only when payments are made by the discount date and the discount is economically justified. Guidance for implementing the PPA is found in 5 CFR 1315, the *Federal Acquisition Regulation (FAR) Part 32.9* and the *Defense Federal Acquisition Regulation Supplement (DFARS) Part 232.9*. For definitions that apply in the implementation of the PPA, see 5 CFR 1315.2 and FAR 32.902.

0702 GUIDANCE

★ 070201. Application. The PPA requires Federal agencies to pay their bills on a timely basis, to pay interest penalties when payments are made late and to take economically justified discounts only when payments are made by the discount date. For the purposes of this chapter, days refer to calendar days unless stated differently. The payment terms ordinarily imposed by the PPA and its implementing regulations may be replaced by the payment terms imposed by another governmental authority, such as utility tariffs. The PPA applies to the following:

A. Procurement Contracts. The PPA applies to contracts for the procurement of goods or services awarded by Executive branch agencies, unless the payments are exempt as identified in section 070202.

B. Vendor Payments. All vendor payments and payments to persons (not employees), organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor, unless exempt. See paragraph 070202 for exemptions.

C. Utility Payments. All utility payments, including payments for telephone service, are subject to the Prompt Payment Act except those under 5 CFR 1351.1(b)(2). Where state, local or foreign authorities impose generally applicable late payment rates for utility payments, those rates shall take precedence. In the absence of such rates, this part will apply.

★ 070202. Exemptions.

A. The following payments are exempted from the PPA (see 5 CFR, 1315.1).

1. Payments exempted from PPA coverage under 31 USC 3901(a)(1) because they are not being made by an “agency” within the meaning of 5 USC 551(I)(G).

2. Contract financing payments, as defined in 5 CFR 1315.2(h) and FAR 32.001.

B. The following payments may be exempted from the PPA (see 5 CFR, 1315.1).

1. Payments related to certain declared state of emergencies directing any Federal agency to utilize its resources in support of State and local disaster assistance efforts, as defined in the Disaster Relief Act of 1974 (P.L. 93-288).

2. Payments related to the release or threatened release of hazardous substances, as defined in 42 USC 9606.

3. Certain payments related to military contingency operations, as defined in 10 USC 101(a)(13).

4. While payments identified in B1, B2, and B3 are normally exempted per 5 CFR 1315.1, the head of the contracting activity (HCA) (when authorized), in consultation with the cognizant comptroller, will make the determination of whether a contract and related payment will be subject to the requirements of FAR 32.9, Prompt Payment. This determination will be clarified by the specific clause in the individual contract. See Annex 1 of Chapter 8 of this volume for additional detailed guidance.

★ 070203. Required Documentation Type, Function and Purpose. Before making a payment, DoD Components must ensure that appropriate payment documentation is established to support payment of invoices and interest penalties. This documentation normally includes the contract, receipt/acceptance report, and a proper invoice. See 5 CFR 1315.9 and Chapter 8 of this volume for additional information on required documentation.

A. Follow-up for Required Documents. If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office will follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of economically justified discounts (if possible) and to avoid the unnecessary payment of late payment interest penalties.

B. Contract. The contract is the enforceable agreement between the agency and the contractor or vendor that provides much of the information to support payment of invoices and interest penalties. Contracts must contain the data elements required under 5 CFR

1315.9. If errors exist in the contractual documents, the entitlement office should return the document to the contracting office for correction.

C. Receipt and Acceptance Report.

1. A receiving report performs two functions. It provides evidence of the date goods are received, and it provides evidence of the date goods or services are accepted. Receiving reports are written or electronic evidence of receipt of goods or services by a Government official. Receiving reports must meet the requirements of 5 CFR 1315.9(c). Receipt of goods ordinarily does not provide a basis for payment. Payments must be based upon acceptance of the goods or services as authenticated by the signature of the government official. Acceptance must occur as a condition of payment except in the following instances:

a. Interim payments on cost-reimbursement contracts for services. Unless stated differently in the contract, the payment due date for interim payments under cost-reimbursement service contracts will be 14 days after the date of receipt of a properly approved invoice; however, for purposes of computing late payment interest penalties that may apply, the due date for making interim payments on cost-reimbursement contracts for services is 30 days after the date of receipt of a proper invoice (FAR 32.904(e)). See DFARS 232.906 for information concerning interim payments on cost-reimbursement contracts for services.

b. The fast payment procedure. In limited situations, payment offices may use the contractor's submission of an invoice as certification of the delivery of supplies and as the basis for authorizing payment; and payment may be made within 15 days after the receipt of the invoice. Follow-up is required to ensure receipt of documentation. Conditions that must exist to use these payment methods are outlined in 5 CFR 1315.6(a), FAR 13.4, DFARS 213.4, and Chapter 10 of this volume.

2. The agency receiving official should forward the receiving report, or other government documentation, to the designated payment office by the 5th working day after government acceptance or approval, unless other arrangements have been made.

3. Government acceptance is normally deemed to occur constructively on the 7th day after the contractor delivers supplies or performs services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contract requirement. A longer acceptance period can be specified in the contract, in which case the date of the actual acceptance or the date on which such acceptance period ends shall substitute for the normally applied 7th day after the delivery date. The date on which the designated acceptance period ends is referred to as the constructive acceptance date. Constructive acceptance is used simply for the purposes of calculating PPA interest and applies to both destination acceptance and source acceptance contract terms.

a. In the event that actual acceptance occurs within the constructive acceptance period, the determination of a due date shall be based on the actual date of acceptance.

b. In the event that actual acceptance occurs after the constructive acceptance period, the determination of a due date will be based on the constructive acceptance date. See FAR 32.904(b)(1)(ii)(B) for additional guidance.

D. Proper Invoice. Payment will be based on the receipt of a proper invoice and satisfactory contract performance. Unless otherwise stated in the contract, vendors/contractors will submit a proper invoice to request payment. For details on information required for a proper invoice, see 5 CFR 1315.9(b) and FAR 32.905(b). As stated in FAR 32.905.b.2, an interim payment request under a cost-reimbursement contract for services constitutes a proper invoice if it includes all of the information required by the contract. Note that payment requests under cost-reimbursement service contracts are deemed proper when they conform to the contract. The office designated by the purchase order, agreement, or contract to first receive and review invoices, hereafter referred as the designated activity, will immediately annotate the receipt date and review invoices within 7 days after receipt. If an invoice is improper, then the designated activity will return the invoice to the vendor/contractor.

1. Notice of an Improper Invoice. When the designated activity returns an invoice as improper, they will provide details on why the invoice is being returned and why it is improper. The designated activity's request to the vendor/contractor for a corrected invoice will be clearly marked as such. Notification will be within 7 days of receipt of the invoice (5 days for perishable agricultural commodities, dairy products, edible fats or oils, and food products prepared from edible fats and oils; and 3 days for meat, meat food, fish, and seafood products). See 5 CFR 1315.4(g)(5) for additional guidance if improper invoices are not returned within 7 days. If a designated activity erroneously rejects a proper invoice, then the original invoice receipt date will be used to compute the payment due date and any interest penalties due. See FAR 32.906(b)(4) for additional guidance. In cases where the returned invoice offers a cost effective discount, request the contractor change the date on the existing corrected invoice, if resubmitted, or issue a new invoice with the current date on it.

2. Delivery Ticket as an Invoice. A delivery ticket may be used as an invoice. When used as an invoice, the delivery ticket must contain information required by the CFR for an invoice. See 5 CFR 1315.9 (b), (c), and (d) for additional guidance.

E. Emergency and Contingency Operations. When authorized, the HCA of an operational area, in consultation with the cognizant comptroller, will make the determination of whether a contract and related payment will be subject to the requirements of FAR 32.9, Prompt Payment and include the applicable payment clause in the contract accordingly.

1. For payments that have been determined to be exempt from FAR 32.9, certifying officers involved in supporting contingency operations will need the documents and information listed in Annex 1 of Chapter 8 of this volume to ensure the entitlement to payment is valid to certify and make a contract or vendor payment. Certification guidelines for these payments are contained in paragraph 080807 of Chapter 8 of this volume.

2. For payments that are subject to the requirements of FAR 32.9, PPA interest payments originating or being processed within the operational area will be made only as specified in the contract clause.

F. Progress Payments. DoD Components may make progress payments under construction contracts at intervals determined by the contract. Requests for progress payments will conform to 5 CFR 1315.14(c)(1)(i) and FAR 52.232-5(b)(1). A request for a progress payment may be approved if it meets the requirements specified in CFR 1315.14(b) and the terms of the contract.

G. Payment for partial deliveries. DoD Components will pay for partial delivery of supplies or partial performance of services after acceptance, unless specifically prohibited by the contract. These payments are contingent upon submission of a proper invoice if required by the contract (5 CFR 1315.4(k)). See 5 CFR 1315.4(k) and FAR 32.906(c) for additional information on payments for partial deliveries.

★ 070204. Determining the Invoice Receipt Date. The invoice receipt date must be recorded on the invoice by the activity designated in the contract to receive the invoice immediately upon receipt. This annotation should clearly be identifiable to the designated activity. The invoice receipt date is an integral part of determining the payment due date, the date by which an improper invoice must be returned, and the date on which interest will begin to accrue if a payment is late. See 5 CFR 1315.4(b) for guidance on determining the invoice receipt date. Note the requirement to annotate the invoice with the date received. If the designated activity fails to annotate the receipt date, then the invoice receipt date is the date placed on the invoice by the contractor.

★ 070205. Determining the Payment Due Date. For payments subject to the requirements of FAR 32.9, Prompt Payment, the payment due date is the date on which payment should be made to avoid paying PPA interest. The payment will be made according to the terms and conditions of the contract, if specified.

A. If the payment due date is not otherwise specified in the contract, the date by which a proper invoice must be paid is the later of:

1. Thirty days after the date on which the designated activity receives an invoice. As an example, if a proper invoice is received on May 1st, then the payment period begins on May 1st and ends on May 31st. The interest penalty begins accruing on June 1st. (Note that if a DoD Component fails to provide notification of an improper invoice within the prescribed timeframes, then this will affect the computation of the payment due date.) See 5 CFR 1315.4(g)(5);

2. Thirty days after Government acceptance of supplies delivered or services performed.

B. A contract modification may require when a payment is to be made, which will establish the payment due date, e.g., award fee. The payment clock will start with the

effective date of the modification, therefore all efforts should be made to obtain copies of the contract modification.

C. If the contract does not require an invoice, then the due date is the date designated in the contract (FAR 32.904(b)(2)).

D. See 5 CFR 1315.4(g) and FAR 32.904 for additional guidance on determining the payment due date.

★ 070206. Timely Payment. The PPA requires both timely and proper cash management of government resources. DoD will make payments no more than 7 days prior to the payment due date, but as close to the due date as possible, unless the Secretary of Defense or their designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary. This authority must be used cautiously, weighing the benefits of making a payment early against good stewardship inherent in effective cash management practices (5 CFR 1315.4(j)).

A. When the conditions in 5 CFR 1315.5 are met, a DoD Component may use an accelerated payment method.

B. For interim payments under cost-reimbursement service contracts, DoD may make payments at the standard due date of 14 days after the receipt of a proper invoice (DFARS 232.9).

C. Payment is considered to be made on the date printed on the check itself, or on the Electronic Fund Transfer settlement date.

D. Checks will be mailed or transmitted on the same day for which the check is dated.

E. Payments due (including discount periods) on Saturday or Sunday may be paid on Monday or the next working day without interest. Payments due on legal holidays may be paid on the next working day without interest.

★ 070207. Discounts. If a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered on an invoice, an agency should take the discount if economically justified but only after acceptance has occurred.

A. When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.

B. The Department of the Treasury's website contains a discount calculator to assist in determining whether or not the effective discount is economically justified.

C. If a DoD Component takes the discount after the deadline, an interest penalty on any amount remaining unpaid will be due. See 5 CFR 1315.7 and FAR 32.907.

D. See [Chapter 2](#) of this volume for additional information concerning discounts.

070208. [Interest Penalties](#). When Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date and is automatically paid. If the vendor/contractor provides incorrect banking information, then interest does not begin to accrue until 7 days after the correct information is received (provided the 7 day timeframe for notice of an improper invoice was met). See 5 CFR 1315.10 for additional guidance.

A. [Late Payment](#). Interest will be accompanied with a notice stating the amount of the interest penalty, the number of days late, and the rate used (5 CFR 1315.10(b)(2)).

B. [Interest Penalty Requirements](#). The specific interest rate will be applied to the total penalty period (maximum 1 year interest) regardless of whether the interest period carries over into different interest rate periods. No further interest shall accrue after 1 year beyond the original due date. Interest calculations are to be based on a 360-day year.

C. [Additional Penalties](#). Vendors/contractors may be entitled to an additional penalty payment when the vendor/contractor is owed a late payment interest penalty by DoD of \$1.00 or more. For information on additional penalties, see 5 CFR 1315.11 and FAR 32.907(c). The contractor's entitlement to additional penalties is dependent upon, among other things, its timely submission of a claim for that additional penalty.

D. [Penalties Due Under Construction Contracts](#). See 5 CFR 1315.14(c).

E. [Exceptions to Interest Penalties Due](#). See 5 CFR 1315.10(c)(5) to determine when interest penalties are not due to include when interest penalties due are less than \$1.00.

F. [Computation of Interest Penalties](#). The government will compute interest penalties in accordance with the Office of Management and Budget (OMB) prompt pay regulations at 5 CFR 1315.10 and FAR 32.907. The [Department of the Treasury's](#) website contains both a simple daily interest calculator and a monthly compounding interest calculator to assist in interest calculations.

070209. [Interest Payment Funding](#). The PPA requires that agencies pay any late payment interest penalties from funds available for the administration of the program for which the penalty was incurred (5 CFR 1315.10(b)(5)). The DoD has special statutory authority that permits DoD Components to use funds financing the operation of the military department or defense agency with which the invoice or contract payment is associated for payment of PPA interest penalty expenses, rather than charging the expense to the program for which the penalty was incurred. [P.L 107-117, Div. A, Title VIII, Sec. 8084](#). All interest payments will be charged to the fiscal year(s) in which they accrue. If the interest is accrued at the end of the fiscal year, but not paid until the beginning of the next fiscal year, the prior year's funds will be cited. If interest is accrued at the end of the fiscal year, and additional interest is accrued in the new fiscal

year, the total interest penalty will be funded citing each respective fiscal year's funds where the interest was accrued. This ensures that the interest fund cite represents the bona fide need of the year in which the obligation arises. If the appropriation to which the interest would otherwise be charged is cancelled, the appropriation current on the date of payment will be charged pursuant to 31 USC 1553 (b)(1).

A. **Entitlement** offices are required to maintain detailed records in support of their determinations, and are to make these records available upon request of any activity determined to have caused a late payment.

B. Interest entitlement may be waived by a contractor by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. A contractor may not waive the right to interest in advance of earning the interest (that is, a blanket authority letter stating that any interest penalty payment is not wanted is unacceptable). Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest. All refunds of interest or penalties from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, then refunds will be applied to Miscellaneous Receipts of the Treasury.

C. Late payment interest penalties pertaining to procurements financed by a Foreign Military Sales (FMS) contract will be funded by the FMS Contract Administration Services (CAS) account. For additional information, see Volume 15, Chapter 7 of this Regulation.

0703 DoD COMPONENT HEAD RESPONSIBILITIES. The responsibilities of the DoD Component Head include:

★ 070301. Issuing internal procedures that include provisions for monitoring the causes of late payments and any interest penalties incurred, taking necessary corrective action, handling inquiries, and, as necessary:

A. Adopting additional standards for establishing invoice payment due dates necessary to support DoD programs and foster prompt payment to contractors.

B. Adopting different payment procedures in order to accommodate unique circumstances, provided that such procedures are consistent with the policies in the PPA.

C. Ensuring payments and payment of interest penalties, where required, are timely.

★ 070302. Informing contractors of points of contact within their respective payment offices to enable contractors to obtain status of invoices.