

Prompt Payment Program Advocacy - State Department FAQs

The role of the Prompt Payment Advocate is to provide information to departmental staff about the California Prompt Payment Act and to clarify how the requirements of the Act impact state payment processes.

State departmental employees aren't always privy to current requirements of the Act and may misunderstand how to apply the law to their payment processes. Experience shows this is especially evident when the Legislature delays passing the annual budget for the state. Although each state department has its own accounting processes, there are some basic requirements for processing invoices to payment that are consistent across most departments (see [Sample Flowchart of Invoice Process](#)).

Here are some of the questions most frequently asked by departments, along with appropriate answers:

QUESTION	ANSWER
Does the Act pertain to utility company bills?	No. Per SAM 8474.1(o): "Other Payments: State agencies that pay invoices that also include late payment charges (e.g., Pacific Bell invoices with Public Utilities Commission approved late payment charges) shall pay those late charges only. A contractor is entitled to only one penalty if an invoice is paid late." Schedule Cal PUC No. D & R, 18th Revised Sheet 33, Rule 10 states: "...The late payment date will not be less than 22 days from the postmark date on the billing envelope..."
When do penalties begin accruing?	This question appears on the Summary but the answer is misunderstood at times. To further clarify: Invoice receipt date is equal to Day Zero. Example: An invoice received on 3/1 would begin accruing interest on 4/1 if not submitted to the SCO on or before 3/31 (3/1 plus 30 days = 3/31).
How do I calculate the amount of a late payment penalty due a contractor?	Refer to SAM Section 8474.3, Penalty Calculation, for instructions and a copy of the form, Std. 208, used by state departments to calculate late payment penalties. See copy and an example, attached.
If we issue payment directly to the contractor from our revolving fund after 30 days but before 45 days has elapsed, do we owe late penalties?	No, as long as the check is issued within 45 days total from receipt of the invoice (or delivery and acceptance of goods/services if later than invoice receipt).
If we expedite processing by the SCO after 30 days so that the contractor is paid within 45 days total, do we owe late penalties?	No.
Does the Act pertain to the late payment of rents, when no invoice is issued?	Yes. Rent is due on the date set forth in the contract or lease. If payment is not made by that date, penalties accrue. Example: Rent for June is due on July 1. A claim schedule should be submitted to

	the SCO for payment by July 1. If not, penalties would accrue until the claim is submitted to the SCO.
When the Small Business Certification status of a business changes during the invoice payment process, and payment is late, does this affect the late penalty calculation?	Yes. The status of the firm's small business certification on the required payment approval date of an invoice governs the penalty rate used in the calculation of any late payment penalties due. <i>If a specific payment date is not prescribed in the contract, the required payment approval date is 30 days after receipt of a valid, undisputed invoice, or the date the subject Claim Schedule is submitted to the Controller, whichever date is earliest.</i>
Must an invoice from a small business contain the small business stamp to qualify as such?	No. It is the responsibility of each state department to ascertain whether or not an invoice has been submitted by a qualified small business.