

SAM - DISBURSEMENTS

ADDITIONAL INFORMATION AND PROVISIONS

8474.1

(Revised 03/11)

- a. **No Additional Invoice Required for Penalty Amount:** State departments shall pay the applicable penalties without requiring a vendor invoice for the penalty amount.
- b. **Penalty Shall not be Waived:** Except for the 30-day extensions provided for in the event of emergencies during a declared fire season (see SAM section 8474.1, paragraph [h], below), the late payment penalties specified in the Act may not be waived, altered, or limited by a state department that acquires property or services pursuant to a contract or that awards a specific grant or by any person or business that contracts with a state department to provide property or services or that is a recipient of a grant for victim services and prevention programs.
- c. **Nonprofit Organizations:** A nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded a contract or grant for victim services and prevention programs in an amount less than five hundred thousand dollars (\$500,000).
- d. **No Additional Appropriation:** State departments shall not seek an additional appropriation to pay late payment penalties. Any state department that requests a deficiency appropriation from the Legislature shall identify the portion, if any, of the requested amount attributable to penalties incurred.
- e. **Subcontractors:** State departments shall encourage contractors to promptly pay their subcontractors and suppliers, especially those that are small businesses. State departments shall utilize expedited payment processes to enable faster payment by prime contractors to their subcontractors and suppliers, and shall promptly respond to any subcontractor or supplier inquiries regarding the status of payments made to prime contractors.
- f. **Fire Season Emergencies:** Except in the case of a contract with a certified small business, a nonprofit organization, or a nonprofit public benefit corporation, if an invoice from a business under a contract with the Department of Forestry and Fire Protection would become subject to late payment penalties during the annually declared fire season, then the required payment approval date shall be extended by 30 calendar days.
- g. **Budget Enactment Delays:** During a budget impasse, late payment penalties continue to accrue until the payment is made, except for penalties incurred to nonprofit public benefit corporations, or for refunds, or other payments due to individuals.
- h. **Calamities, Disasters, and Criminal Acts:** If the DOF determines that a state department or the Controller is unable to promptly pay an invoice, as required, due to a major calamity, disaster, or criminal act, the otherwise applicable late payment penalty provisions shall be suspended except as they apply to a claimant which is either a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program. The suspension shall remain in effect until the DOF determines that the suspended late payment penalty provisions of this section should be reinstated.
- i. **Liquidated Claims:** Government Code section 926.10, regarding interest on liquidated claims filed against public entities, shall not apply to any contract covered by the Act. See SAM section 8473.
- j. **Invoice Dispute Notification:** A state department may dispute an invoice for reasonable cause. To dispute an invoice, the state department must notify the claimant within 15 working days from receipt of the invoice, or delivery of the property or services, whichever is later. See SAM section [8474.1 Illustration](#) for the Invoice Dispute Notification form, STD. 209. State employees shall not dispute an invoice based upon minor or technical defects in order to avoid late payment penalties.

(Continued)

SAM - DISBURSEMENTS

(Continued)

ADDITIONAL INFORMATION AND PROVISIONS

8474.1 (Cont. 1)

(Revised 03/11)

- k. Notice of Refund Dispute:** A State department may dispute a refund request for reasonable cause. To dispute a refund, the State department must notify the claimant within 15 working days after the department receives notice from the individual that the refund is due.
- l. Medi-Cal program:** Late payment penalty provisions shall not apply to claims for reimbursement for health care services provided under the Medi-Cal program, unless the Medi-Cal health care services provider is a small business or nonprofit organization. In applying these provisions to claims submitted to the state or its fiscal intermediary, by providers of services or equipment under the Medi-Cal program, payment for claims shall be due 30 calendar days after a claim is received by the state or its fiscal intermediary, unless reasonable cause for nonpayment exists. With regard to Medi-Cal claims, reasonable cause shall include review of claims to determine medical necessity, review of claims from providers who are subject to special prepayment fraud and abuse controls, and review of claims by the fiscal intermediary or the Department of Health Care Services (DHCS) due to special circumstances. Claims requiring special review as specified above shall not be eligible for a late payment penalty.
- m. Reporting Requirement:** State departments shall annually report to the DGS by September 30, the amount of late payment penalties paid during the preceding fiscal year. The report shall separately identify the total number and dollar amount of late payment penalties paid to small businesses, other businesses, and refunds or other payments to individuals. State departments may, at their own initiative, provide the DGS with other relevant performance measures. The DGS shall prepare a report separately listing the total number and dollar amount of all late payment penalties paid to small businesses, other businesses, and refunds and other payments to individuals by each state department during the preceding fiscal year, together with other relevant performance measures, and shall make the information available to the public. Inquiries regarding additional information on this reporting requirement should be directed to the Prompt Payment Coordinator, DGS, Procurement Division, at (916) 375-4923.
- n. Other Penalties:** State agencies will pay other legally authorized late payment penalties. These include the Public Utilities Commission (PUC) approved late payment charges in invoices from utilities operating under the authority of the PUC. However, when state agencies pay other authorized penalties, they must take care to do so in lieu of the penalties authorized in the California Prompt Payment Act.

SAM - DISBURSEMENTS

STATE OF CALIFORNIA – DEPARTMENT OF FINANCE
INVOICE DISPUTE NOTIFICATION
 STD. 209 (REV. 7/2006)

Clear

Print

(Mail in a window envelope.) <div style="border: 1px solid black; width: 80%; margin: 0 auto; height: 60px;"></div>	DATE OF DISPUTE <hr/> INVOICE NUMBER <hr/> AMOUNT <hr/> INVOICE DATE <hr/> REFERENCE NUMBER(S) <hr/>
VENDOR ADDRESS	

(fold)

The invoice referenced above is disputed for the following reasons:

- | | |
|---|--|
| <input type="checkbox"/> Goods/Services not received | <input type="checkbox"/> Duplicate billing |
| <input type="checkbox"/> Noncompliance with contract | <input type="checkbox"/> Invoice belongs to another department |
| <input type="checkbox"/> Incorrect billing/amount due | <input type="checkbox"/> Damaged goods |
| <input type="checkbox"/> Partial shipment received | <input type="checkbox"/> Invoice not properly executed |
| <input type="checkbox"/> Other _____ | |

THIS NOTIFICATION IS A FOLLOWUP TO A PHONE CONVERSATION WITH THE PERSON FROM YOUR COMPANY WHOSE NAME APPEARS BELOW

NAME	DATE OF CONVERSATION
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IF YOU HAVE ANY QUESTIONS REGARDING THIS DISPUTE, CONTACT:

NAME	
E-MAIL	TELEPHONE NUMBER

(fold)

RETURN A COPY OF THIS NOTIFICATION WITH THE CORRECTED INVOICE (IF APPLICABLE) (For your convenience, the return address has been positioned for use in a window envelope.) <div style="border: 1px solid black; width: 80%; margin: 0 auto; height: 60px;"></div>	<p style="text-align: center;">FOR STATE AGENCY USE ONLY</p> <table style="width: 100%;"> <tr> <td style="width: 70%;">DATE DISPUTE RESOLVED</td> <td>INITIAL</td> </tr> <tr> <td colspan="2">RESOLUTION</td> </tr> </table>	DATE DISPUTE RESOLVED	INITIAL	RESOLUTION	
DATE DISPUTE RESOLVED	INITIAL				
RESOLUTION					

RETURN TO:

DISTRIBUTION:
 Vendor — original and one copy
 Purchasing — one copy
 Accounting — one copy
 File — one copy

(8474.1 ILLUSTRATION)