

## SAM - DISBURSEMENTS

### PENALTY CALCULATION

8474.3

(Revised 6/2015)

Whenever a state department or the Controller determines a penalty is due, the rate for small businesses and nonprofits shall be a rate of 10 percent above the United States Prime Rate on June 30 of the prior fiscal year. The rate for all other businesses including grantees that provide victim services or prevention programs shall be one percent above the Pooled Money Investment Account ([PMIA](#)) daily rate on June 30 of the prior fiscal year, not to exceed 15 percent. The rate for refunds or other payments due to individuals is one percent below the PMIA daily rate on June 30 of the prior fiscal year. These rates change annually; therefore, the PMIA rate is communicated to state departments via a Budget Letter (BL). For the latest BL on late payment penalty rates, refer to the Finance website at: [http://www.dof.ca.gov/budget/Budget\\_Letters/](http://www.dof.ca.gov/budget/Budget_Letters/).

The penalty will be calculated as follows:

Step 1: Determine the Payment Due Date	The payment due date is 45 calendar days after receipt of a properly submitted, undisputed invoice, unless otherwise specified in the contract or grant.  In the case of refunds, the payment due date is 45 calendar days after notification of the refund to the payee or other payments due to individuals
Step 2: Amount Subject to Penalty	The gross amount of the invoice less taxes or the "refund or other payment due" amount.
Step 3: Penalty Amount Per Day	Multiply the amount subject to penalty (as determined in Step 2) by the applicable daily penalty rate (based on the payment due date) as specified in the BL.
Step 4: Number of Days Penalized:	Calculate the number of calendar days between the payment due date (as determined in Step 1) and the date payment is issued.
Step 5: Late Payment Penalty Amount	Multiply the penalty amount per day (as determined in Step 3) by the number of days penalized (as determined in Step 4). The result is late payment penalty amount due the claimant; except that penalty amounts of \$10 or less shall not be paid to small businesses, nonprofit and refunds or other payments due to individuals. For all other businesses, penalty amounts of \$100 or less shall not be paid

(Continued)

## SAM - DISBURSEMENTS

(Continued)

### **PENALTY CALCULATION**

(Revised 6/2015)

**8474.3** (Cont. 1)

See Illustration 1 below for samples of late payment penalty calculations.

When a late payment penalty is incurred, a completed Penalty Calculation Worksheet, STD. [208](#) must be attached to the related invoice submitted to the Controller. The latest Penalty Calculation form, STD. 208, can be found on the DGS website at <http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std208.pdf>.

Any invoice included in a claim schedule the Controller determines is subject to a claim correction shall be deemed to be improperly submitted and the state department shall be responsible for the penalty incurred on the invoice.

**SAM - DISBURSEMENTS**

	<b>FACTS</b>	<b>PAYMENT DUE DATE SET FORTH IN CONTRACT AS DEFINED IN SAM 8474.4 (c)</b>	<b>PAYMENT DUE DATE NOT SET FORTH IN CONTRACT</b>
<b>A</b>	Date Agency Receives Invoice	3/1/XX	3/1/XX
<b>B</b>	Payment Due Date Per Contract	4/1/XX	N/A
<b>C</b>	Payment Issue Date	4/6/XX	4/30/XX
<b>STEP</b>	<b>Completing Penalty Calculation Form (STD. 208) – Part A</b>		
<b>1</b>	Required payment approval date <i>1</i>	4/1/XX	3/31/XX
<b>2</b>	Amount subject to penalty <i>2</i>	\$30,000	\$30,000
	Daily Penalty Rate		
	• Small Business	.000363	.000363
	• Other Business	.000034	.000034
<b>3</b>	Penalty per day <i>(multiply amount by daily penalty rate as shown in Step 3)</i>	10.89	10.89
		1.02	1.02
<b>4</b>	Number of days penalized <i>3</i>	5	15
<b>5</b>	Penalty amount <i>(multiply amount by the number of days as shown in Steps 4 &amp; 5) 4</i>		
		• Small Business	\$10.89 x 5 = \$54.45
	• Other Business	\$1.02 x 5 = \$5.10	\$1.02 x 15 = \$15.30

1/ The payment date specified in the contract, or 30 calendar days after the date the department receives an undisputed invoice.

2/ Use the current penalty interest factor per day provided annually in a Finance budget letter available at [http://www.dof.ca.gov/budget/Budget\\_Letters/](http://www.dof.ca.gov/budget/Budget_Letters/).

3/ Count the number of days from required payment approval date to date claim schedule submitted to SCO.

4/ Minimum late penalty payments: Small business - \$10 / Other business - \$100