

HEALTH SCIENCE CENTER HANDBOOK OF OPERATING PROCEDURES

Chapter 6	Fiscal Policies and Procedures	Effective:	July 2000
Section 6.1	Accounting	Revised:	September 2008
Policy 6.1.9	Automatic Late Payment Interest	Responsibility:	Assistant Vice President for Business Affairs

AUTOMATIC LATE PAYMENT INTEREST

Policy

On September 1, 1999, The Prompt Payment Law was adopted by the State Legislature. This legislation mandates that all state agencies and institutions of higher education automatically pay interest owed to vendors for late payments. Previously, the vendor was required to file a claim for late payment interest in order to receive payment.

Statutory interest is mandated starting 30 days from the date goods and services are received, or the date the invoice is received, whichever is later. Interest is calculated at a monthly rate of 1%, or 12% annually. Payment of interest applies to the purchase of "goods and services" as defined by the Texas Building and Procurement Commission (TBPC). Most purchases will fall into the scope of goods and services; however, payrolls, prepayments, and reimbursements are not included.

Procedures

"Vouchered payments" that do not go through the requisition/purchase order process may pose a problem when vouchers with invoices attached are not promptly forwarded to the Accounting Office for payment. In addition, Accounting must determine which date to use when the "clock begins to run" for late payment interest calculation. It is highly recommended that all invoices received within each department be date stamped to show the date of receipt. If no receipt date is indicated on the invoice, Accounting will be required to use the invoice date, which may reduce the window of payment without interest penalty. If late payment interest is incurred, the interest payment will be charged to the project ID on the purchase order voucher. Expenditure account 704001 will be used.
