



# ACCOUNTING BULLETIN

TO: Fiscal Officers of All State Agencies

FROM: Steven L. Valasek, Director of State Accounting

DATE: July 10, 2002

SUBJECT: Prompt Payment Rules and Detail Object Codes

NUMBER: 103

As a follow up to Accounting Bulletin 96 regarding the new Prompt Payment Legislation (Public Act 92-0384), attached are the Emergency Rules that were filed with JCAR on June 28, 2002. The Emergency Rules are applicable to invoices paid from FY 03 and later appropriations. Invoices paid from FY 02 and prior appropriations remain governed by the current administrative rules.

Effective for FY 03 interest penalties, the IOC has developed the following detail object codes to be used to distinguish between interest penalty as a result of the Prompt Payment Act and Other Interest Penalty.

- 1991 INTEREST PENALTY – PROMPT PAYMENT ACT  
Payments to vendors for interest penalty incurred pursuant to the State Prompt Payment Act (30 ILCS 540). **R**
- 1994 OTHER INTEREST PENALTY – Not Elsewhere Classified  
All payment of interest penalty not subject to the State Prompt Payment Act, including, but not limited to, payments to health care providers pursuant to the Illinois Insurance Code and payments to the Federal Government pursuant to the Federal Cash Management Improvement Act. Excludes payments for interest penalty related to the State Prompt Payment Act (30 ILCS 540). **R**

If you have any questions pertaining to this bulletin, please contact Paula Kitchen at (217) 782-3608. Agencies may access this and other Accounting, Payroll and SAMS Bulletins on the Comptroller's website at [www.ioc.state.il.us](http://www.ioc.state.il.us) under Resource Library.

- 1) Heading of the Part: Joint Rules of the Comptroller and the Department of Central Management Services: Prompt Payment
- 2) Code Citation: 74 Ill Adm. Code 900
- 3) Section Number:            Emergency Action:  
900.10            Amend  
900.20            Amend  
900.30            Amend  
900.35            New  
900.40            Amend  
900.60            Amend  
900.70            Amend  
900.80            Amend  
900.90            Amend  
900.100            Amend  
900.110            Amend  
900.120            Amend
- 4) Statutory Authority: 30 ILCS 540
- 5) Effective Date of Emergency Amendment: July 1, 2002
- 6) If this Emergency Amendment is to expire before the end of the 150 day period, please specify the date on which it is to expire: Not applicable
- 7) Date filed with the Index Department: June 28, 2002
- 8) A copy of the emergency amendment, including any material incorporated by reference, is on file in the agency's principal office and is available for public inspection.
- 9) Reason for Emergency: These emergency amendments need to be effective for FY03 bills.
- 10) A Complete Description of the Subjects and Issues Involved:  

The proposed amendments implement changes to the Prompt Payment Act as amended by Public Act 92-384. The amendments shorten the timeframe, from 90 to 60 days, in which an invoice payable from FY03 and later funds must be paid in order to avoid interest penalties under the Act. The rules remain unchanged for bills payable from FY02 and prior appropriations.
- 11) Are there any proposed amendments to this Part pending? Yes. 26 Ill. Adm. Code 7497, May 24, 2002.
- 12) Statement of Statewide Policy Objectives: Rulemaking does not affect units of local government.
- 13) Information and questions regarding these Emergency Amendments shall be directed to:  

Stephen W. Seiple  
720 Stratton Office Building  
Springfield, IL 62706  
217/782-9669

The full text of the emergency amendments begins on the next page:

TITLE 74: PUBLIC FINANCE  
CHAPTER VIII: CENTRAL MANAGEMENT SERVICES

PART 900  
JOINT RULES OF THE COMPTROLLER AND THE DEPARTMENT OF  
CENTRAL MANAGEMENT SERVICES:  
PROMPT PAYMENT

Section	
900.10	Scope
900.20	Definitions
900.30	<u>General</u> Duties of State Agencies
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900.40	Statement Indicating That Interest Penalty May Be Available
900.50	Other Interest Provisions
900.60	When a Payment is Late
900.70	Approval by the State
900.80	Submission and Receipt of Bills
900.90	When and How Vendors Must Request Interest
900.100	Calculation of Interest
900.110	No Interest on Interest
900.120	Exclusions
900.130	Special Rules and Procedures Regarding the Application of the Act to the State Employee's Group Insurance Program
900.140	Resolution of Disputes

AUTHORITY: Implementing the State Prompt Payment Act [30 ILCS 540].

SOURCE: Emergency rules adopted at 17 Ill. Reg. 11168, effective July 1, 1993, for a maximum of 150 days; emergency expired November 28, 1993; adopted at 18 Ill. Reg. 11498, effective July 11, 1994; amended at 24 Ill. Reg. 19049, effective December 18, 2000; amended at 25 Ill. Reg. 11351, effective August 28, 2001; amended at 26 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_.

Section 900.10 Scope

- a) These rules are applicable to all State agencies as defined in the Illinois State Auditing Act (~~Ill. Rev. Stat. 1991, ch. 15, par. 301-1 et seq.~~) [30 ILCS 5] and shall be followed in determining whether and to what extent late payment interest is due.
- b) These emergency rules apply to any bill for Goods or Services ~~paid payable~~ from funds appropriated by the General Assembly ~~that is received for periods on and after July 1, 2002, and do not affect bills payable from funds appropriated for prior periods. the effective date of these rules.~~
- e) ~~Any bill for Goods or Services received prior to the effective date of these rules will be processed in accordance with the methodology used by the agency responsible for payment at the time of receipt of the bill.~~

(Source: Amended at \_\_\_ Ill Reg. \_\_\_\_\_, effective \_\_\_\_\_)

Section 900.20 Definitions

Except as otherwise defined in Section 900.130, the following definitions shall be used in interpreting these rules:

"Act" shall be defined as: the State Prompt Payment Act (~~Ill. Rev. Stat. 1991, ch. 127, par. 132.400 et seq.~~) [30 ILCS 540].

"Agency Head" shall be defined as: those persons given authority to approve payments ~~by voucher~~ for the various State officials and agencies as specified in the Act and Section 10 of the State Finance Act (~~Ill. Rev. Stat. 1991, ch. 127, par. 146~~) [30 ILCS 105/10].

"Bill" shall be defined as: the Vendor's standard bill or invoice for goods or services. For purposes of this Part, Bill shall include a State employee's travel voucher submitted when the State employee has paid for the travel and will be reimbursed by the State.

"DCMS" shall be defined as: the Department of Central Management Services.

"Date of Approval of the Vendor's Bill" shall be defined as: the date on which the Agency Head or designee signs the voucher requesting the Comptroller's Office ~~or other agent of the State to issue a warrant~~ to pay the bill. For agencies whose computer systems automatically record an approval date as a voucher is prepared, the "Date of Approval" shall be defined as the approval date recorded by the computer system.

"Date of Payment" shall be defined as: the date of issuance of the payment warrant by the Comptroller's Office, ~~other State officials and agencies or other agent of the State.~~

"Goods and Services" and "Goods or Services" shall be defined as: items of merchandise, supplies, raw materials, finished goods and duty, duties or labor rendered by one or more persons to a State official or agency for monetary ~~or other~~ consideration.

"Month" shall be defined as: any 30-day period.

"Proper Bill" shall be defined as: a bill or invoice containing sufficient and correct information necessary to process the payment for a liability of a State agency as provided in this Part, the Comptroller's Statewide Accounting Management System (SAMS) manual, or as otherwise specified by the State agency responsible for payment.

"Vendor" shall be defined as: seller of goods or services. For purposes of this Part, Vendor shall include State employees ~~employee who submit~~ submits a travel voucher for reimbursement to the employees ~~employee~~ for travel.

(Source: Amended at \_\_\_ Ill Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.30 General Duties of State Agencies

- a) It is the duty and responsibility of each State agency to develop and implement internal procedures that will permit full compliance with the provisions of the Act, this Part and the Comptroller's SAMS manual ~~Uniform Statewide Accounting System ("CUSAS")~~.
- b) ~~Interest penalty payments must be processed on a separate~~

~~Invoice Voucher payable to the Vendor.~~

- e) ~~Interest penalty payments must be charged to the same expenditure authority account to which the related Goods or Services were charged. If the payment for Goods or Services was charged to an appropriation which has since been reappropriated, the interest penalty payment must be charged to the reappropriation.~~
- d) ~~In the event the appropriation originally charged for the Goods or Services is exhausted and not reappropriated, the State agency shall, if authorized by law, transfer and obligate funds into the proper appropriation pursuant to Ill. Rev. Stat. 1991, ch. 127, par. 149.2 [30 ILCS 105/13.2] for payment of the interest penalty.~~
- e) ~~In the event the appropriation originally charged with the Goods or Services is exhausted and the State agency has exhausted its transfer of funds authority pursuant to Ill. Rev. Stat. 1991, ch. 127, par. 149.2 [30 ILCS 105/13.2], the appropriation has lapsed or the agency has improperly refused to pay interest, Vendors may have recourse before the Court of Claims for payment of interest penalties.~~
- f) ~~An interest penalty payment shall be deemed an outstanding liability of the fiscal year during which the contract for the Goods or Services giving rise to the interest penalty was entered.~~
- b)g) All State agencies must maintain written or electronic records reflecting the date or dates on which:
  - 1) ~~the Goods were received and accepted or the Services were rendered;~~
  - 2) ~~the Proper Bill was received by the State agency;~~
  - 3) ~~the appropriation from which the payment is to be made became law, if such date is later than the date or dates recorded for subsection (g)(1) or (g)(2) above.~~
  - 3)-4) approval for payment of a bill was given by the Agency Head as \_\_\_\_\_ indicated on the Invoice Voucher submitted to the Comptroller's Office.
  - 4) a vendor bill was disapproved, in whole or in part, based upon a defect or what the State agency believes to be a defect; and
  - 5) the payment was issued by the Comptroller's Office. disapproval for payment of a bill was given by the Agency Head
- h) ~~The above-mentioned dates need not be maintained on a separate record. The dates may be maintained by:~~
  - 1) ~~keeping the original bill.~~
  - 2) ~~date-stamping the relevant dates on the bill.~~
  - 3) ~~other reliable means as approved by each State agency.~~

- c)-i Per Section 3-4 of the Act, the State Comptroller may require vouchers submitted for payment, including submission by electronic or other means approved by the Comptroller, to indicate the appropriate date from which interest penalties may be calculated. All State agencies must provide to the Comptroller's Office the applicable dates listed above, as well as the Date of Payment, on or attached to the Invoice Voucher submitted for payment of the interest penalty.
- j) Upon receipt of a Vendor's statement for the interest penalty, the State agency must respond to the Vendor's request within 60 days if the interest penalty is not appropriate under the Act, this Part, or the Comptroller's Uniform Statewide Accounting System manual, along with the reason why the interest penalty will not be paid. If requests for interest should be presented to the Court of Claims, that requirement should be communicated to the Vendor.

(Source: Amended at \_\_\_ Ill Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.35 Duties of State Agencies: Interest Payments

- a) Interest penalty payments must be processed on a voucher, separate from the voucher the State agency submits for payment of the bill, payable to the Vendor. The voucher submitted for payment of the interest penalty shall include the date from which the interest penalty is calculated, the date of payment of the bill, and the voucher number of the voucher submitted by the Agency for payment of the bill.
- b) Interest penalty payments must be charged to the same expenditure authority account to which the related Goods or Services were charged, and indicate the detail object code for interest payable under the Act as specified in the SAMS manual. If the payment for Goods or Services was charged to an appropriation that has since been reappropriated, the interest penalty payment must be charged to the reappropriation.
- c) In the event the appropriation originally charged for the Goods or Services is exhausted and not reappropriated, the State agency shall, if authorized by law, transfer and obligate funds into the proper appropriation pursuant to 30 ILCS 105/13.2 for payment of the interest penalty.
- d) In the event the appropriation originally charged with the Goods or Services is exhausted and the State agency has exhausted its transfer of funds authority pursuant to 30 ILCS 105/13.2, the appropriation has lapsed or the agency has improperly refused to pay interest, Vendors may have recourse before the Court of Claims for payment of interest penalties.
- e) An interest penalty payment shall be deemed an outstanding liability of the fiscal year during which the contract for the Goods or Services giving rise to the interest penalty was entered.
- f) Upon receipt of a Vendor's written request or statement for the interest penalty, the State agency must respond to the Vendor's request within 60 days if the interest penalty is not appropriate under the Act, this Part, or the Comptroller's SAMS manual, along

with the reason why the interest penalty will not be paid. If requests for interest should be presented to the Court of Claims, that requirement should be communicated to the Vendor.

(Source: Added at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.40 Statement Indicating That Interest Penalty May Be Available

- a) ~~To comply with the Act's mandate that all State invoices or vouchers indicate that payment of interest may be available for failure to comply with the Act, the~~ The remittance advice copy of each commercial payment Invoice Voucher for Goods or Services and Travel Voucher must contain the following statement or words of similar meaning:

"Payment of interest may be available if the State fails to comply with the State Prompt Payment Act (Ill. Rev. Stat. 1991, ch. 127, par. 132.400 et seq.) [30 ILCS 540]."

- b) In the case of electronic payments, the statement may be transmitted electronically or otherwise reflected within the information authorizing electronic payments. This statement may be placed on any available portion of either side of the remittance copy of the Invoice Voucher.

- c) ~~All State officials and agencies that create their own Invoice Voucher must include the statement indicating that an interest penalty may be available, as described above, on the remittance copy of each commercial Invoice Voucher and employee travel voucher.~~

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.60 When a Payment is Late

For bills payable from funds appropriated prior to FY03, A a payment is late if the Date of Payment is not within 60 days after the Date of Approval of the Vendor's Bill.

For bills payable from funds appropriated on and after July 1, 2002, a payment is late if the Date of Payment is not within 60 days after the receipt of a Proper Bill.

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.70 Approval by the State

- a) A State agency shall review in a timely manner each bill after its receipt to determine if the bill is a Proper Bill. A bill is not a Proper Bill if it contains one of the following defects:

- 1) lacks sufficient and/or correct information required by the agency to process the bill;
- 2) lacks the Vendor's taxpayer identification number or a completed Internal Revenue Service Form W-9 or Form 147C certifying that the Vendor's taxpayer identification number has been applied for but not received and the Vendor is not subject to backup withholding due to

underreporting; or

- 3) is directed to an address or person other than the one designated in written instructions from the State.
- ~~ba)~~ An agency shall approve Proper Bills or deny bills with defects, in whole or in part, within 30 days after receipt. Vendor bills denied during this 30 day period shall be assigned a new Date of Receipt when a corresponding Proper Bill is subsequently received. An agency shall review each Vendor's bill and shall either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after physical receipt of the bill.
- c) The State agency shall notify the vendor upon the discovery of a defect, as soon as possible. The notification shall indicate the nature of the defect and any additional information necessary to correct the defect. The notification may be verbal or in writing, as the agency may determine is appropriate given the circumstances surrounding the payment and the nature of the defect in the bill. The State agency shall maintain adequate documentation of all such notifications and subsequent agency and Vendor actions so as to determine when and from what date late payment interest is due and to resolve any related Vendor disputes.
- ~~db)~~ If a Vendor bill is approved, in whole or in part, after the required 30 day period to approve or deny bills, late payment interest shall be due for the approved portion of the bill if the Date of Payment is not within 60 days after receipt of the Proper Bill or part of the bill. If the Date of Approval of the Vendor's bill is after this 30 day period or the bill is denied after the 30 day period and subsequently approved, late payment interest shall be due if the Date of Payment is not within 90 days (30 days for approval and 60 day for payment) after receipt of the bill.
- e) If a Vendor bill is denied, in whole or in part, after the required 30 day period to approve or deny bills and the denied bill or part of bill is subsequently approved for payment as originally submitted and denied, late payment interest shall be due for the approved portion of the bill if the Date of Payment is not within 60 days after original receipt of the Proper Bill or part of the bill. Vendor bills denied, in whole or in part, and not subsequently approved for payment as originally submitted and denied shall be assigned a new Date of Receipt when a Proper Bill is subsequently received.
- ~~fe)~~ If the agency and the Vendor have not formally executed a contract and State law requires a written contract, any bills submitted before the formal execution shall be deemed to be received when the contract is executed. State law allows payments to be made only after the formal contract is executed for Supplies or Services over \$10,000 or Professional and Artistic Services over \$5,000.

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.80 Submission and Receipt of Bills

- a) A bill submitted ~~incomplete~~, lacking sufficient ~~and/or correct detail~~ information required by the State agency to process the bill,

lacking taxpayer identification number, or to an address or person other than one designated in written instructions from the State shall not be considered a Proper Bill ~~physically received~~ until it is completed, additional information ~~detail~~ provided, or it reaches the proper address or person.

- b) A bill submitted lacking the Vendor's federal taxpayer identification number shall not be considered a Proper Bill ~~physically received~~ until the Vendor provides the taxpayer identification number or a completed Internal Revenue Service Form W-9 or Form 147C certifying that the Vendor's taxpayer identification number has been applied for but not received and that the Vendor is not subject to backup withholding due to underreporting.
- c) A bill ~~physically~~ received prior to acceptance of Goods or Services by the State shall be considered a Proper Bill ~~received~~ no earlier than the date of acceptance. Acceptance means the date on which the State, to the best of its ability at that time, determines contract requirements have been met. Acceptance for late payment calculation shall not be used by any Vendor to show acceptance of the Goods or Services for any other purpose.
- d) A bill ~~physically~~ received after acceptance of Goods or Services may ~~shall~~ be considered a Proper Bill ~~received~~ no earlier than the date of ~~physical~~ receipt of the bill.
- e) A Vendor may submit bills for future performance, such as to make lease or installment purchase payments, in advance of scheduled due dates, but such bills for purposes of this Part shall not be considered received by the State any earlier than when the future performance by the vendor begins.
- f) When the parties do not contemplate submission of a physical bill to the State, such as to make scheduled payments per the terms of a contract, the date of final receipt or acceptance, whichever is later, of the Goods or Services shall be considered the date of the bill.
- g) State employees who are reimbursed by the State for their travel may receive late payment interest in accordance with this Part.

(Source: Amended at \_\_\_Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.90 When and How Vendors Must Request Interest

- a) Interest amounting to \$50 or more need not be requested by a Vendor. Agencies are responsible for calculating and paying such interest and are to do so within a reasonable time.
- b) Interest amounting to \$5 but less than \$50 must be requested by the Vendor.
  - 1) The Vendor must submit a written statement to the appropriate State agency specifically requesting the State agency to pay an interest penalty to the Vendor.
  - 2) The statement must include a description of the original transaction, the Vendor's taxpayer identification number, the date of the Vendor's invoice, the invoice amount and

the date the bill was presented to the Agency.

- 3) The statement should, if possible, include the Vendor's invoice number, the voucher number, the appropriation account code, the obligation number (~~for contracts over \$5,000~~), the exact name of the Vendor or payee as the name appeared on the payment warrant, an estimate of the date upon which the interest penalty begins to accrue and any other information reasonably needed by the State agency to verify the interest penalty payment.
  - 4) A request for the late payment interest penalty should be submitted within 90 days after the Date of Payment.
  - 5) Agencies are responsible for paying such interest and are to do so within a reasonable time.
  - 6) Upon written request by the Vendor, an agency must disclose to the Vendor the date upon which an interest penalty begins to accrue.
- c) Interest amounting to less than \$5 will not be paid by the State, whether or not requested.
- d) Interest is to be calculated for each individual Vendor bill received. A determination of whether an interest penalty is owed is to be made for each individual bill and may not be based upon summing interest from two or more bills together. If a State agency divides a Vendor bill into parts for payment from multiple funding sources, interest is to be calculated for each individual part in order to determine if interest is owed for that part of the bill.

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

#### Section 900.100 Calculation of Interest

- a) Interest is calculated at the rate of 1% per month. This results in a daily interest factor of .00033 (.01/30).
- b) For each day payment is late, the amount late shall be multiplied by the daily interest factor to determine the late payment charge.
- c) The interest penalty shall be simple interest and not compound interest, meaning that the interest penalty is computed on the amount of the bill only and shall not include previously accrued interest.
- d) Interest shall begin accruing on the 61<sup>st</sup> day after receipt of a Proper Bill and shall continue to accrue until the bill is paid by the Comptroller's Office.
- e)d) Interest shall not accrue on the Date of Payment. In the event the Date of Payment is the same date that interest begins to accrue, there shall be no interest payable by the State for purposes of efficiency to the State.

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

## Section 900.110 No Interest on Interest

A request for payment of interest under this Act is not considered a bill and, therefore, not subject to the provisions of the Act; interest is not paid on an interest ~~calculated for a bill approved for payment.~~

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

## Section 900.120 Exclusions

The following non-exhaustive list represents the types of payments that are excluded from the Act and consequently do not qualify for interest penalties:

- a) Inter- and intra-agency payments. This includes transfers and payments to revolving funds, reimbursement of petty cash funds and imprest accounts, inter-fund transfers and inter-fund payments in which an agency or department serves as the Vendor of Goods or Services.
- b) Payments to State employees for personal services (salary only and not including health insurance benefits).
- c) Awards and grants, as defined by the Comptroller's Office, including pass-through grants and distributive payments and refunds.
- d) Contract retainers associated with construction contracts.
- e) State Board of Education categorical grants.
- f) Community College Board grants.
- g) Illinois Student Assistance Commission grants.
- h) Payments to local government entities, including school districts.
- i) Payments of interest penalties.
- k) Deleted.
- j) Payments made to contractual employees (these payments are generally made via a Contractual Services Payroll Service Voucher).
- l) Payments from accounts or funds not appropriated by the General Assembly.
- m) Gratuitous payments made to induce a business to remain in or to locate in this State.
- n) Any type of payment to a Vendor assigned or sold by that Vendor to a different payee, including any assignments made by the Vendors to the Department of Public Aid.
- o) Barter transactions.
- p) Payments made by a State agency comprised of federal funds only and no State or local funds.

- q) Medical and claims payments under the Workers' Compensation and Workers' Occupational Diseases Acts.
- r) Tax refunds.
- s) State Employee's Group Insurance Program payments covered by late payment interest provisions in 5 ILCS 375/6.12.

(Source: Amended at \_\_\_ Ill. Reg. \_\_\_\_\_, effective  
\_\_\_\_\_)