

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 10/26/98

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SUBJECT

Kansas Prompt Payment Act

PURPOSE

To provide information regarding the Kansas Prompt Payment Act including calculation and payment of interest penalties.

AUTHORITATIVE REFERENCE

K.S.A. 75-6401 through 75-6407

GENERAL INFORMATION

Exemptions for Utility Billings and Interagency Billings. The Kansas Prompt Payment Act does not apply to payments of goods or services provided by public utilities or for goods or services provided by one state agency to another. Regarding utility billings, provisions for payment and late penalties or interest are set forth in the tariff laws. Concerning interagency billings, the Act defines vendor as “any person, corporation, association or other business concern engaged in a trade or business, either on a profit or not-for-profit basis, and providing any goods or services to a government agency.” Because “state agency” is not included in the definition of vendors, the Act applies only to payments owed to “outside” vendors, i.e. vendors other than another state agency.

Discount for Prompt Payment. If a vendor offers a state agency a discount from the amount otherwise due under a contract for goods or services in exchange for payment within a specified period of time, the state agency may make payment in an amount equal to the discounted price only if payment was made within such specified period of time.

Required (Prompt) Payment Date Defined. K.S.A. 75-6403(b) requires state agencies to pay the full amount due for goods or services on or before the 30th calendar day after the date the agency receives such goods or services, or the bill for the goods and services, whichever is later, unless other provisions for payment are agreed to in writing by the vendor and the state agency. NOTE: If the 30th calendar day noted above falls on a Saturday, Sunday, or legal holiday, the following workday will become the required payment date.

K.S.A. 75-6403(b) defines the date goods or services are received as the date such goods or services are completely delivered and finally accepted by the state agency. The date

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the payment is made by the state agency is defined as the date on which the warrant or check for such payment is dated, i.e. warrant issue date.

Written Request from Vendor for Payment Required. If full payment is not made on or before the 30th calendar day, the vendor may make a written request for payment to the agency head. The vendor's request is to include the name of the state agency obligated to make the payment, the date the state agency received the goods or services to the state agency, and the date the vendor sent the bill for the goods or services to the state agency. NOTE: Except for utility billings, an invoice received from a vendor which has an interest penalty added would not qualify as a valid written request unless the invoice contains the information noted above.

Interest Penalty. Upon receipt of the vendor's written request for payment, the state agency is then subject to an interest penalty of 1.5% per month which is to be paid from the first day after the required payment date until seven days after the payment voucher is sent to the Division of Accounts and Reports. However, no interest penalty is due the vendor if full payment is made on or before 15th calendar day after the required payment date or if the vendor fails to request payment within four months after the required payment date. Any amount of interest penalty which remains unpaid at the end of any thirty day period after the required payment date is to be added to the principal amount of the debt and thereafter interest penalties will accrue on such added amount.

Interest Penalty Computation Examples

	<i>Example 1</i>	<i>Example 2</i>	<i>Example 3</i>
Payment Amount	\$100.00	\$100.00	\$100.00
Date goods or services or bill received, whichever is later	6-1-98	6-1-98	6-1-98
Required payment date (30 th calendar day after 6-1-98)	7-1-98	7-1-98	7-1-98
15 th calendar day after the required payment date	7-16-98	7-16-98	7-16-98
Date payment voucher sent to Division of Accounts and Reports	6-5-98	6-30-98	7-20-98
Date bill is paid (warrant issued date)	6-8-98	7-6-98	7-22-98

Example 1: No interest penalty is due the vendor since the actual payment date (6-8-98) is before the required payment date (7-1-98).

Example 2: Even though the actual payment date is after the required payment date (7-1-98), no interest penalty is due the vendor since the actual payment date

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(7-6-98) is on or before the 15th calendar day after the required payment date (7-16-98) and the vendor's bill was paid in full.

Example 3: Since the actual payment date (7-22-98) is after the 15th calendar day after the required payment date (7-16-98), the agency owes the vendor an interest penalty of \$1.28. The interest penalty is computed as follows:

Date interest charge begins (day after required payment date)	7-2-98
Date interest charge ends (7 days after payment voucher sent to the Division of Accounts and Reports)	7-27-98
Number of days interest to be charged (7-2-98 through 7-27-98)	26**
Interest penalty due	
\$100.00 x .000493 x 26	
(principal) (daily rate (number of days	
18% ÷ 365) interest)	\$1.28

**Please note that even though the bill was paid on 7-22-98, the state agency must pay the vendor interest through the seventh day (7-27-98) after the payment voucher is sent to the Division of Accounts and Reports.

Vendor's Request for Payment Disputed by State Agency. If a state agency denies liability and alleges grounds to not make payment, the state agency is required to inform the vendor in writing of the grounds for not making payment and that the vendor has the right to file a claim on the dispute with the Joint Committee on Special Claims Against the State.

Effective Date. The following procedures apply to valid requests received on or after January 1, 1985, regardless of whether the interest penalty was incurred before or after January 1, 1985. However, since no interest penalty is due if the vendor fails to request payment within four months of the required payment date, state agencies are not liable for interest penalties incurred on late payments with a required payment date that is prior to September 1, 1984.

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PROCEDURES

Responsibility

Action Step

State Agency

1. Upon receipt of a vendor's request for payment, reviews payment files, vendor files, and other appropriate records to verify that the requested payment is a valid obligation and has not been paid.

Note: If the review indicates that the requested payment is not a valid obligation, i.e. amount not owed or that the requested amount has been paid and no interest penalty is due the vendor, go to step 2; otherwise, go to step 3.

2. Upon determining that the requested payment is not a valid obligation or has already been paid and no interest penalty is due, informs the vendor in writing of the reason(s) for not making payment and that the vendor has the right to file a claim with the Joint Committee on Special Claims Against the State.
3. Upon determining that the requested payment is a valid obligation and that an interest penalty is due the vendor, computes the interest penalty due.
4. If the amount due the vendor has not been paid, prepares a payment voucher for the amount due plus the interest penalty. The interest calculation should be shown on the payment voucher. If the amount due the vendor has been paid, prepares a payment voucher for the interest penalty only. In addition to the interest penalty computation, the agency should reference the original payment voucher number and the warrant issue date in the description area in the lower portion of the payment voucher.

NOTE: Use expenditure subobject 5280, Prompt Payment Interest Penalties, for the portion of the payment attributable to the interest penalty due.

5. Forward the voucher and all attachments to the Audit Services Team of the Division of Accounts and Reports. Agencies with delegated audit authority should process the documents in accordance with the agency's procedures.

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Accounts and Reports 6. Review and process the payment voucher and issue a warrant or electronic payment.

CONTACT SOURCES

Division of Accounts and Reports
Central Accounting Services Section
Audit Services Team