CIRCULAR
STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY

NO: 19-07-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 3
EFFECTIVE DATE: 12-03-18	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 11-23-OMB
SUBJECT: PAYMENT TO VENDORS		
ATTENTION: DIRECTORS OF ADMINISTRATION AND CHIEF FISCAL OFFICERS		
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I. PURPOSE

The purpose of this Circular is to establish the State's policies and procedures for ensuring timely and efficient payments to vendors.

The Office of Management and Budget (OMB) has stewardship responsibilities for State and non-State funds. One of the responsibilities is ensuring the timely and efficient processing and payment of vendor invoices. Inefficient processing and payment of vendor invoices can prove costly to the State by agencies' failure to comply with the prompt payment statute, thereby incurring penalties and potential damaged vendor relationships, and the failure to take advantage of available vendor discounts. It is of utmost importance, therefore, that agencies understand and comply with prompt payment requirements and make maximal use of vendor discounts.

II. PROMPT PAYMENT ACT

A. Introduction

1. In accordance with the New Jersey Prompt Payment Act (P.L. 1987, Chapter 184), interest must be paid to any business concern that does not receive payment within 60 days from the date the State 1) received goods or services or 2) received a properly executed vendor invoice, whichever is later. Where a signed contract exists between the State and a business concern, payment must be made within 60 days of the payment date specified in the contract.

2. The prompt payment interest rate for non-construction business concerns for Fiscal Year 2019 is 2.0%.

3. Effective September 1, 2006, P.L. 2006, Chapter 96 amended the terms of the Prompt Payment Act by reducing the time frame for payment from 60 days to 30 days for construction-related contracts only.

4. The prompt payment interest rate for construction-related business concerns for Fiscal Year 2019 is 6.0%.

B. Definition

Business Concern—"Business concern" is defined to mean any person engaged in a trade or business, including private non-profit entities operating as independent contractors, providing goods or services directly to a using agency or to a designated third party, and operating pursuant to a State contract that requires (a) single or multiple payment(s).

C. Processing Requirements

1. Agencies are responsible to establish internal time frames to ensure that the 60-day (or 30-day for construction related contracts) deadlines are met.

2. The using agency shall notify the business concerns within 30 calendar days of any defect or impropriety in any payment voucher submitted for goods or services provided that would invalidate the requirement to calculate prompt payment interest based on that payment voucher.

D. Exemptions

1. Public utilities as defined under Section 1 of P.L. 1946, c. 219 (NJSA 48:2-13) are exempt from receiving interest under the Prompt Payment Act.

2. Governmental entities, State employees, and third party contractors are also exempt.

E. Interest Due

No interest charge required by the Prompt Payment Act shall become a debt of the State unless it exceeds $5.

F. Reporting Requirements

Each calendar year, OMB shall submit a report to the Legislature indicating the number, amounts, and frequency of interest payments, as well as reasons the interest penalty payments were not avoided. Departments should refer to PPRE (Prompt Payment Reason Table) in NJCFS for a list of the most common reasons for prompt payment interest. The appropriate reason will then be indicated on the draft Prompt Payment Report that is submitted to OMB.

III. PAYMENT PRIOR TO DELIVERY OF MATERIAL OR SERVICE

Due to special circumstances, payment is sometimes required in advance of the delivery of materials or services by certain vendors. This is an exception to the rule and should not be a standard procedure. Only in cases where materials or services cannot be obtained from any other source at comparable prices will use of the prepayment procedure be considered.

IV. VENDOR INVOICES AND DISCOUNT POLICIES

A. Discount Start Date

1. The discount period is the number of days specified by the vendor during which a payment qualifies to take advantage of the discount offered. The discount start date is the date from which the calculation of the discount period begins and is defined as the later of 1) the next business day after the date an agency receives a properly signed and executed vendor invoice or 2) the day that the goods or services are accepted by the agency. Agencies should establish procedures to ensure that all payment vouchers are date stamped when they are received and that the dates the invoices are received are entered on the relevant MACS-E or NJCFS record.

Likewise, delivery dates of all goods received must be routinely recorded. This will facilitate the accurate identification and recording of discount start dates by agency staffs.

2. In instances where disputes with vendors exist as a result of dissatisfaction with goods or services, the start date of the discount period should be delayed until the dispute has been satisfactorily settled. Once the problem has been resolved, agencies should re-set the discount start date in the procurement system.

B. Start Date for Multiple Deliveries

1. In cases where there are to be multiple deliveries to be paid with a single payment, e.g., fuel purchases or laundry services, agencies should identify the discount start date as the date on which the last installment of the deliveries has been accepted by them.

2. If a signed and executed vendor invoice is received after the last delivery in a series of multiple deliveries, that date should be recorded. The discount start date will be the next business day after the receipt of the invoice.

3. Agencies are reminded that, in instances where each segment of a contract has a delivery and a vendor invoice, it should be treated as a separate transaction and the discount period calculation should be made based on each segment's delivery date and invoice.

C. Monitoring Performance for "Lost Discounts"

To ensure that the State's payment process takes maximum advantage of discounts offered by vendors, each agency should develop appropriate policies and procedures to ensure the maximal use of available vendor discounts, and monitor compliance with those policies and procedures.

David Ridolfino
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