

Department of Administrative Services - State Accounting Enterprise

Section PRE-AUDIT	Procedure Number 230.250	Page Number 1 of 2	Effective Date July 1, 2003 Revised 6/1/04
Subject PAYMENT POLICIES PAYMENT OF INTEREST ON CLAIMS			

1. The Departments, the General Assembly, and the Courts shall pay their claims in a timely manner. Any claim that remains unpaid after 60 days following the receipt of the claim or the satisfactory delivery, furnishing, or performance of the services, supplies, materials, or contract, whichever date is later, is subject to the payment of interest. The rate of interest to be paid is 1% per month beyond the 60-day period, on a simple interest basis. (1) Because of the uncertainty of when a claim actually will be paid, a separate claim for the interest is to be generated by the agency after all the facts are known. (2) The information that must be on the claim for the payment of interest is as follows:
 - a. Name of payee
 - b. Address of payee.
 - c. Claim number, warrant date, and warrant number of the original claim for which the department is now paying interest.
 - d. Date the original claim was received, satisfactory delivery, or completion of services, supplies, materials, or contract, by the department whichever is later.
 - e. The amount of the original claim.
2. As Federal funds are not subject to this act, if the original claim was paid with both Federal and State funds, only that portion of the original claim paid with State funds will be subject to interest charges.
3. The interest due is to be calculated as illustrated in the following example:
 - Original Invoice amount is \$500.00
 - 1% interest is \$5.00 per month
 - Period beyond 60 days - March 6 through June 4

March	=	$\frac{26}{31}$	x	\$5.00	=	\$4.19
April	=	Full Month	=		=	5.00
May	=	Full Month	=		=	5.00
June	=	$\frac{4}{30}$				
			x	\$5.00	=	0.67
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TOTAL INTEREST DUE						\$14.86

Using this method of calculation, the department can determine the amount of interest due on any claim that is subject to this charge.

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- a. Interest will only be paid on the unpaid amount of the claim.
 - b. The interest must be charged to objective code 2821 and the same fund as the original claim.
4. If the department received an invoice that should not be paid due to a discrepancy or unsatisfactory performance, return it to the vendor with an explanation as to why payment was not made on a timelier basis. An example of this would be a vendor who bills the department for an entire order, sends only a partial shipment, and issues no credit memo for the unshipped amount.
 5. If any State department is having trouble with paying bills in a timely manner because of internal procedures, then these procedures should be modified to permit more timely payments.
 6. Departments should pay their billings for partial shipments when the invoice and merchandise receipts are in agreement. However, Code of Iowa Section 8A.514 provides for "remains unpaid after sixty days following the receipt of the claim or the satisfactory delivery, furnishing, or performance of the services, supplies, materials, or contract, whichever date is later."
 7. Departments should send copies of Administrative Rule (11) Chapter 41.1(2) rather than these DAS-SAE procedures to the trade or occupational associations. See Procedure 203.000.