

SECTION 521: INTEREST ON DELINQUENT PAYMENTS

1. General Description. This section describes the legal and procedural requirements relating to interest on delinquent payments by departments and agencies of the State.
2. Legal Requirements. Act 292, Session Laws of Hawaii 1967, which became effective June 10, 1967 and which is currently contained in Section 103-10, Hawaii Revised Statutes (HRS), requires all state and county agencies to:
  - (a) Pay vendors "...no later than sixty calendar days following receipt of the statement."
  - (b) Pay interest at the rate of one percent per month on vendors' charges remaining unpaid for more than sixty days.
3. Scope. This section covers the action to be taken upon receipt of billings from vendors for late payment of their statements or invoices where payment had been withheld arbitrarily or erroneously; this section does not cover the policies and procedures for prompt payment of vendors' billings (Section 563 of this Manual).
4. Procedures. Departments and agencies, and the Department of Accounting and General Services (DAGS), are responsible for promptly processing vendors' charges for interest due on delinquent payments in accordance with the following procedures:
  - (a) Departments and Agencies.
    - (1) Time and date-stamp vendors' invoices for interest claimed under Section 103-10, HRS.
    - (2) Determine whether the vendor's claim is legitimate. Section 103-10, HRS, does not apply where a bona fide dispute exists between the State and the vendor concerning the satisfactory delivery of goods or services contracted for between the parties.
    - (3) In the case of purchases charged to federal funds, determine whether the solicitation of bids for contracts clearly stated that the time of payment would be contingent upon the receipt of federal funds, or federal approval. If the contract has such provision, the interest does not begin to accrue, "...until the sixtieth day following receipt by the State of the contractor's statement or the thirtieth day following receipt of the federal funds or approval, whichever occurs later."

SECTION 521: INTEREST ON DELINQUENT PAYMENTS

- (4) In order that interest payments can be calculated properly, the following data should be noted on each vendor's invoice:
- Indicate the beginning date of the interest period. The beginning date of the interest period is the sixtieth day following receipt of the vendor's statement. (The word "statement", as used in Section 103-10, HRS, means the form of claim commonly received from a vendor and used by the State as the basis for payment; in most cases, this form would be the vendor's "invoice", which is used in this Section with the same meaning.)
  - The departmental and Comptroller's voucher numbers and date of the SUMMARY WARRANT VOUCHER (SWV) under which the vendor's statement was paid must also be noted on each invoice for interest payment.
- (5) Because of its uniqueness and priority processing requirements, only this type of expenditure should be claimed on a SWV so that payments can be expedited.
- (6) Object of expenditure code, "62XX, Other Interest Expense", is the correct code for interest on delinquent payments to vendors.
- (7) Note on the face of each SWV the amount of interest included under Section 103-10, HRS, identify the amount in accordance with the State's uniform accounting code, and circle in red as follows:
- | "Section 103-10, HRS - Interest Payment" |                |
|--|----------------|
| 22-T-82-902-F-022-62XX                   | \$ 6.43        |
| 22-T-82-902-F-026-62XX                   | <u>2.20</u>    |
| TOTAL                                    | <u>\$ 8.63</u> |
- (8) Red-tag the SWV for priority processing by the Department of Accounting and General Services (DAGS).
- (9) If there are any situations in a department or agency which appear to warrant an exception to the above instructions, a written request for such exception should be directed to the Comptroller.

SECTION 521: INTEREST ON DELINQUENT PAYMENTS

- (b) DAGS Accounting Division. In addition to the usual pre-audit responsibilities, the Pre-Audit Branch of DAGS is also responsible for the following:
- (1) Determining the ending date of the interest paid (the date on which payment of the delinquent account was made).
  - (2) Verifying the vendor's computation of interest.
  - (3) Expediting the interest payment to the vendor.