

CHAPTER 1 – INTRODUCTION

1-1 PURPOSE. This handbook details the Department’s policy for compliance with the Prompt Payment Act (Public Law 97-177), the Prompt Payment Final Rule (5 CFR Part 1315), the U.S. Department of Treasury Financial Management Service guidance on the Prompt Payment Final Rule, and the Office of Management and Budget (OMB) Executive Memorandum M-11-32, Accelerating Payments to Small Businesses for Goods and Services, dated September 14, 2011.

1-2 APPLICABILITY. All Departmental organizations involved in requisitioning, contracting, purchasing, receiving, inspecting, approving, certifying, and making payment for goods and services under HUD contracts shall comply with the provisions of Chapter 3 of this handbook. The specific responsibilities of each component are listed in this handbook.

1-3 OVERVIEW.

- A. The Prompt Payment Final Rule requires Executive departments and agencies to pay commercial obligations within certain time periods (no later than 30 days after receipt of proper invoice unless specified by contract terms) and to pay interest penalties when payments are late. It requires the assessment of late interest penalties against agencies that pay vendors after a payment due date. The Final Rule also includes [formulas](#) for calculation of simple and compound interest.
- B. OMB M-11-32 established a policy of the Executive Branch that, to the full extent permitted by law, agencies shall exercise their Prompt Payment Act authority to establish an earlier, accelerated date (within 15 days) for making payments to small business contractors; however, prompt payment interest penalties are not incurred until after 30 days.