

Prompt Payment Program Advocacy – Contractor FAQs

The role of the Prompt Payment Advocate is to assist contractors who request help navigating state invoice and payment processes and to clarify the requirements of the California Prompt Payment Act. State payment procedures are not always obvious to contractors and they can become confused and frustrated by this lack of understanding. Although each state department has its own accounting processes, there are some basic requirements for processing invoices to payment that are consistent across most departments (see [Sample Flowchart of Invoice Process](#)).

Here are some of the questions most frequently asked by contractors, in addition to those addressed in the Summary, along with appropriate answers:

QUESTION	ANSWER
How can I find out when my invoice will be paid?	<p>Use the Directory of State of California Payment Offices. Look up the contracting department in the Directory and telephone the appropriate accounting office. Ask the staff two questions: 1) When can I expect payment of my invoice #NNN? (Be prepared to fax a copy) and; 2) If late payment penalties are owed to me, can I expect to receive them included with the invoice payment or will they be coming to me in a separate check? Document these answers, including the name of the employee and the date you had the conversation, so that you can follow-up at a later date should that be necessary.</p> <p>Note: It may be necessary or helpful to summarize the Act: Basically, the Act requires payment of an undisputed, properly submitted invoice within 45 calendar days of invoice receipt, or delivery or acceptance of the subject goods or services, whichever is later, to avoid accruing late payment penalty interest. Direct the contractor to the Summary of the Prompt Payment Act, which provides answers to questions frequently asked about the Act, including the current penalty interest rates, the impact of an Invoice Dispute Notification, minimum penalty payments, etc.</p>

QUESTION	ANSWER
Does the Act apply to local agencies?	<p>No. The Act applies only to contracts between a state department and a business.</p> <p>Note: When a contractor is researching whom to contact regarding payment on a local agency (i.e., school district, city, county, etc.) contract, suggest they locate and telephone the entity's accounts payable office.</p>
What if my invoice was scheduled for payment by the department with the SCO more than 15 days ago and I have not yet received the check?	<p>It is not appropriate for the contractor to contact the SCO directly. Rather, ask the accounts payable staff of the submitting department to trace the warrant from its issue date. If necessary, the SCO will stop payment on the missing warrant and issue a new one; this may take several weeks.</p>
If my unpaid invoice was submitted in a prior fiscal year and my company is not certified as a small business, how can I determine which penalty interest rate to apply?	<p>The penalty rate factor for non-small businesses changes each fiscal year. The Dept. of Finance (DOF) sets the Pooled Money Investment Account (PMIA) rate annually on June 30th and adds one percent to it to arrive at the rate at which late payment penalties are to be calculated by state departments. The rate differs each year because it is dependent upon the relative average rate of pooled investment markets.</p> <p>The penalty interest rate for non-small businesses:</p> <ul style="list-style-type: none"> • In FY 2021-2022 = 1.22% (Factor per day = 0.0000334) • In FY 2020-2021 = 2.08% (Factor per day = 0.000057) <p>The minimum late payment penalty must be \$75.00 or it is waived. See Late Payment Penalty Calculation Example attached.</p>
How do I calculate the amount of the late payment penalty I believe I am owed?	<p>Refer to SAM Section 8474.3, Penalty Calculation, for instructions and a copy of the form, Std. 208, used by state departments to calculate late payment penalties.</p>

QUESTION	ANSWER
I supplied goods/services to the Dept. of Forestry during fire season. Does this make a difference?	Yes, if the business is not certified as small or a nonprofit corp. The 45-day requirement is extended by 30 days for non-small businesses during fire season, which is established by the Director of CDFF each year.
If payment is due to me while there is no Budget Act and the payment is late, do late penalties still accrue?	Yes, unless the contractor is a nonprofit public benefit corporation.
I received payment directly from the department, not the SCO, between 30 and 45 days after invoice receipt. Are late penalties due?	No, as long as payment is issued within a total of 45 days, regardless of it's being processed by the SCO or from the department's revolving fund.
My invoice was disputed and now the dispute is resolved. When does the 45-day processing period begin?	Day Zero of the payment process time clock is the date the dispute is resolved.