

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	V Expenditures	EFFECTIVE DATE:	July 1, 1993
SUB-SECTION:	7 - Prompt Payment	REVISION DATE:	July 1, 1993
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PROMPT PAYMENT OF VENDOR INVOICES

The State's Prompt Payment Law (s. 16.528 and 16.53 (2) (11)) provides for payment of interest on state order and contract payments that are not made in a timely manner. Payments are considered timely if they are mailed within thirty days after receipt. It is the responsibility of the agency invoicing the transaction to calculate and pay the interest. An exemption to the 30 day rule has been granted the State Public Defender (SPD) for payments made on appropriation 20.550 (1) (d). This appropriation is funded with a ninety day delay. Therefore, payments made from this appropriation are considered timely if they are mailed within 120 days of receipt.

Agencies should establish time frames and processing standards necessary to meet the applicable time frame. These standards should provide for priority payment of the largest invoices due to the potential for material interest charges. Cash discounts should be taken if payment can be made within the discount period and if the potential discount is greater than the investment income that would be earned by the state if the payment was not made until the 30th day following receipt.

In a number of instances, vendor interest payments will be necessary. Agencies should establish a process to make these payments out of agency funds. The payments can be made by separate vendor check, from petty cash, from a contingent fund, the normal voucher process, or the interest can be added to the invoice total. Chapter 16 requires submission of an annual report on the interest paid by each agency. This report should be submitted to the SCO on September 30, each year. It should include the following:

1. The total number of times interest was paid
2. The total dollar amount of interest paid for the year
3. The major reasons why interest payments needed to be made
4. The agency's plan for reducing both, the number of times interest is paid and the total amount of interest paid

Chapter 16 also provides exceptions for interest penalties in defined circumstances. These include governmental agency transactions, good faith disputes, orders or contracts where consequences of non payment are already provided for and portions of order or contract where payment is made from federal funds.

Where a vendor-vendee relationship does not exist, timely payment is not an issue. Examples are, aid payments to individuals and organizations and local assistance payments. For several commodities, such as electric service, penalties exist in regulations and this Act is not applicable. In addition, retainage on construction contracts is often provided for by agreement. Efforts should be made to identify exceptions during the payment process in coordination with the agency purchasing office. Where federal funds are used to pay an invoice either by an immediate charge to a federal appropriation or eventually through a clearing account or other mechanism, the federal interest penalty exclusion is to be based on the federal match ratio in the grant or contract document. Where the ratios vary by year or in commingled programs, a weighted average percentage of federal participation should be used for determination of the federal exclusion. This weighted average percentage should be adjusted periodically to reflect changes in federal participation.

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Chapter 16 also requires that interest be paid at the annual compounded rate specified in s. 71.09(5) (currently 12%). This rate is compounded on a monthly basis. Agencies should utilize Appendix A (Interest Calculation Table) contained in this sub-section to determine the amount of interest due a vendor.

Due to excessive administrative costs agencies may disregard interest penalties under \$5, unless the vendor requests the payment. The vendor can make the request either specifically or generally and either before the potential occurrence or subsequent to its accrual.

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INTEREST CALCULATION TABLE

1. Annual interest rate is 12% .
2. Interest is compounded monthly.
3. A month is defined as 30 days for interest calculation.
4. A year is defined as 360 days for interest calculation.
5. Perform the following steps to determine the amount of interest expense.
 - a. Determine if the payment is late. The payment is late if not made within 30 days.
 - b. If it is late, determine the number of days between the 30th day and the payment date.
 - c. Select the interest factor that corresponds to the number of days late.
 - d. Multiply the interest factor times the the amount of the payment subject to interest payment.
The resulting product is the interest expense.

# DAYS PAYMENT IS MADE AFTER THE 30TH DAY	INTEREST FACTOR	# DAYS PAYMENT IS MADE THE 30TH	INTEREST FACTOR	# DAYS PAYMENT IS MADE AFTER THE 30TH DAY	INTEREST FACTOR
1	0.000333	24	0.008000	47	0.015723
2	0.000667	25	0.008333	48	0.016060
3	0.001000	26	0.008667	49	0.016397
4	0.001333	27	0.009000	50	0.016733
5	0.001667	28	0.009333	51	0.017070
6	0.002000	29	0.009667	52	0.017407
7	0.002333	30	0.010000	53	0.017743
8	0.002667	31	0.010337	54	0.018080
9	0.003000	32	0.010673	55	0.018417
10	0.003333	33	0.011010	56	0.018753
11	0.003667	34	0.011347	57	0.019090
12	0.004000	35	0.011683	58	0.019427
13	0.004333	36	0.012020	59	0.019763
14	0.004667	37	0.012357	60	0.020100
15	0.005000	38	0.012693	61	0.020440
16	0.005333	39	0.013030	62	0.020780
17	0.005667	40	0.013367	63	0.021120
18	0.006000	41	0.013703	64	0.021460
19	0.006333	42	0.014040	65	0.021800
20	0.006667	43	0.014377	66	0.022140
21	0.007000	44	0.014713	67	0.022480
22	0.007333	45	0.015050	68	0.022820
23	0.007667	46	0.015387	69	0.023160

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# DAYS PAYMENT IS MADE AFTER THE 30TH DAY	INTEREST FACTOR	# DAYS PAYMENT IS MADE AFTER THE 30TH DAY	INTEREST FACTOR	# DAYS PAYMENT IS MADE AFTER THE 30TH	INTEREST FACTOR
70	0.023500	106	0.035796	142	0.048235
71	0.023840	107	0.036139	143	0.048582
72	0.024180	108	0.036483	144	0.048929
73	0.024520	109	0.036826	145	0.049276
74	0.024860	110	0.037170	146	0.049623
75	0.025201	111	0.037513	147	0.049969
76	0.025541	112	0.037857	148	0.050316
77	0.025881	113	0.038200	149	0.050663
78	0.026221	114	0.038543	150	0.051010
79	0.026561	115	0.038887	151	0.051360
80	0.026901	116	0.039230	152	0.051711
81	0.027241	117	0.039574	153	0.052061
82	0.027581	118	0.039917	154	0.052411
83	0.027921	119	0.040261	155	0.052762
84	0.028261	120	0.040604	156	0.053112
85	0.028601	121	0.040951	157	0.053462
86	0.028941	122	0.041298	158	0.053813
87	0.029281	123	0.041645	159	0.054163
88	0.029621	124	0.041991	160	0.054513
89	0.029961	125	0.042338	161	0.054864
90	0.030301	126	0.042685	162	0.055214
91	0.030644	127	0.043032	163	0.055564
92	0.030988	128	0.043379	164	0.055915
93	0.031331	129	0.043726	165	0.056265
94	0.031675	130	0.044073	166	0.056615
95	0.032018	131	0.044420	167	0.056966
96	0.032362	132	0.044766	168	0.057316
97	0.032705	133	0.045113	169	0.057666
98	0.033048	134	0.045460	170	0.058017
99	0.033392	135	0.045807	171	0.058367
100	0.033735	136	0.046154	172	0.058717
101	0.034079	137	0.046501	173	0.059068
102	0.034422	138	0.046848	174	0.059418
103	0.034766	139	0.047195	175	0.059768
104	0.035109	140	0.047541	176	0.060119
105	0.035453	141	0.047888	177	0.060469

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178	0.060819	213	0.073207	248	0.085744
179	0.061170	214	0.073565	249	0.086105
180	0.061520	215	0.073922	250	0.086466
181	0.061874	216	0.074280	251	0.086827
182	0.062228	217	0.074637	252	0.087188
183	0.062582	218	0.074994	253	0.087549
184	0.062936	219	0.075352	254	0.087910
185	0.063289	220	0.075709	255	0.088271
186	0.063643	221	0.076067	256	0.088632
187	0.063997	222	0.076424	257	0.088993
188	0.064351	223	0.076781	258	0.089354
189	0.064705	224	0.077139	259	0.089715
190	0.065059	225	0.077496	260	0.090076
191	0.065412	226	0.077853	261	0.090437
192	0.065766	227	0.078211	262	0.090798
193	0.066120	228	0.078568	263	0.091159
194	0.066474	229	0.078926	264	0.091520
195	0.066828	230	0.079283	265	0.091881
196	0.067182	231	0.079640	266	0.092241
197	0.067535	232	0.079998	267	0.092602
198	0.067889	233	0.080355	268	0.092963
199	0.068243	234	0.080712	269	0.093324
200	0.068597	235	0.081070	270	0.093685
201	0.068951	236	0.081427	271	0.094050
202	0.069305	237	0.081785	272	0.094414
203	0.069658	238	0.082142	273	0.094779
204	0.070012	239	0.082499	274	0.095144
205	0.070366	240	0.082857	275	0.095508
206	0.070720	241	0.083218	276	0.095873
207	0.071074	242	0.083579	277	0.096237
208	0.071428	243	0.083940	278	0.096602
209	0.071782	244	0.084301	279	0.096966
210	0.072135	245	0.084661	280	0.097331
211	0.072493	246	0.085022	281	0.097695
212	0.072850	247	0.085383	282	0.098060

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283	0.098425	311	0.108672	339	0.119015
284	0.098789	312	0.109041	340	0.119387
285	0.099154	313	0.109409	341	0.119759
286	0.099518	314	0.109777	342	0.120131
287	0.099883	315	0.110145	343	0.120503
288	0.100247	316	0.110513	344	0.120875
289	0.100612	317	0.110882	345	0.121247
290	0.100977	318	0.111250	346	0.121619
291	0.101341	319	0.111618	347	0.121990
292	0.101706	320	0.111986	348	0.122362
293	0.102070	321	0.112354	349	0.122734
294	0.102435	322	0.112723	350	0.123106
295	0.102799	323	0.113091	351	0.123478
296	0.103164	324	0.113459	352	0.123850
297	0.103528	325	0.113827	353	0.124222
298	0.103893	326	0.114196	354	0.124594
299	0.104258	327	0.114564	355	0.124966
300	0.104622	328	0.114932	356	0.125337
301	0.104990	329	0.115300	357	0.125709
302	0.105359	330	0.115668	358	0.126081
303	0.105727	331	0.116040	359	0.126453
304	0.106095	332	0.116412	360	0.126825
305	0.106463	333	0.116784		
306	0.106831	334	0.117156		
307	0.107200	335	0.117528		
308	0.107568	336	0.117900		
309	0.107936	337	0.118272		
310	0.108304	338	0.118643		