



# **Defense Future Personal Property Program (DFPPP)**

## **Prompt Payment Interest Procedures**

**5 October 2005**

## **1. Introduction**

The purpose of the following document is to detail how Prompt Pay Act (PPA) interest due to the Transportation Service Providers (TSPs) are calculated and posted in both the interim (Phase I of Defense Personal Property Program) as well as in the long-term (Phase II and beyond),

Procedures for calculating the number of days a Service Provider's (in this case a Transportation Service Provider (TSP)) invoice has been outstanding and the eventual associated Prompt Payment Interest (PPI) due is detailed in 5 CFR Part 1315. This can also be accessed at [www.fms.treas.gov/prompt](http://www.fms.treas.gov/prompt). Below are referenced the guidelines of premier importance for outlining the process for defining whether interest should be due and how the PPI should be calculated.

DFAS has reviewed the Phase I process to determine how the PPA applies. In its legal opinion, DFAS has stated that there will be no pause or hold of the clock, i.e. at any point the clock stops, it will restart at zero. In addition, DFAS' legal opinion indicated that the Phase I process as originally depicted in the Defense Personal Property Program Phase I CONOPS (version 8 and earlier) penalizes the TSP for having to make changes in 2 systems. If the TSP has to make updates in DPS when an item is "In Dispute", the TSP must make the same changes in PowerTrack to resolve Audit Exceptions. DFAS has stated that the subsequent number of days in Audit Exception will not stop the PPA clock.

Despite DFAS' legal opinion, and the potential for Prompt Pay Interest charges given the circumstances outlined in the previous paragraph, the Services have determined (on a conference call 3/31/2005) that the dispute functionality should remain in DPS. As such, the PPSO will still be able to approve, deny or dispute line items on an invoice in DPS.

## **2. Main Guidelines for Application and Calculation of Prompt Payment Interest (ref. OMB Circular 5 CFR Part 1315 and DFAS's guidance on the current process):**

1. The Prompt Payment Act (PPA) clock will begin when PowerTrack receives an invoice in PowerTrack (Invoice Create Date), either in the form of an EDI 859, or when created using the PowerTrack User Interface.
2. All days referenced are calendar days.
3. Proper invoices will be paid within 30 days from date stamp in PowerTrack to avoid PPA interest.
4. Interest is paid based on the number of days exceeding 30.
5. If an invoice is deemed to be improper, the TSP will be notified by EDI 997 or by the TSP status report from PowerTrack within 7 days of submission. Status codes will be used to explain why a TSP invoice is improper.
6. Notification of an improper invoice stops the PPA clock. The PPA clock is restarted at 0 upon receipt of the corrected invoice. Payment will be made within 30 days from the receipt of the corrected invoice to avoid interest payment.

7. If notification of an improper invoice exceeds 7 days, subtract the number of days in excess of 7 from 30 to determine the time allowed for payment of the corrected invoice.
8. Interest is calculated on the paid invoice amount.
9. Interest calculations are based on a 360-day year.
10. Interest days are calculated from day 31 until the "Payment Settled" date in PowerTrack. **Note:** DFAS has pointed out that (per 5 CFR 1315) the payment date for an EFT payment should be the day the payment is credited to the vendor's financial institution. However, in PowerTrack the EFT date is the date the Bank generates the EFT and the invoice is marked as Payment Settled. This may not be the date upon which the TSPs financial institution is credited. This is based solely upon the Automated Clearing House (ACH) rules.
11. Payments falling due on a weekend or government holiday may be made on the following business day without incurring late payment interest penalties.
12. The interest rate is obtained from the Treasury Department (1-800-266-9667). Late payment interest is calculated at the interest rate in effect on the day after the payment due date.
13. An additional penalty payment is owed to a TSP if the late payment interest is not included in the original payment, is not paid within 10 days of the actual payment date of the invoice and the TSP makes a written request within 40 days of the original payment (additional caveats are referenced in the CFR1315, Section 1315.11. Any additional penalty owed shall be equal to 100 percent of the original late payment interest but cannot be less than \$25.00 nor exceed \$5,000.

**3. Requirements for a Proper Invoice:**

While most items pertaining to TSP's proper invoicing as outlined in the circular are self-explanatory, the items pertaining to Defense Personal Property Program Phase I has been outlined below (based on DFAS' meeting Notes from October 1, 2003). Areas of specific attention are discussed in detail.

**Table 1**

| <b><u>Circular Requirement</u></b> | <b><u>Description</u></b>  | <b><u>Source</u></b>  |
|------------------------------------|--|---|
| Name of Vendor                     | Name or SCAC   | Vendor Invoice  |
| Vendor Address                     | USPS Mailing address   | Not required on vendor invoice; already on file at PowerTrack |
| Invoice Date                       | Date of Vendor's Invoice   | Vendor Invoice  |
| Gov't Contract No.                 | Bill of Lading Number  | Vendor Invoice  |
| Description                        | Line item/sub-line item/price/weight/quantity/s ervices rendered by vendor | Vendor Invoice  |
| Shipping and Payment Terms         | Conditions outlined in either contract or BoL unless otherwise noted.      | Not required for Phase I invoices to PowerTrack               |

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|------------------------------------|--|--|
| TIN (Tax identification number)    | Vendor IRS identification                                      | Not required on vendor invoice; already on file at PowerTrack                                      |
| Banking Information                | Vendor's financial instructions for payment                    | Not required on vendor invoice; already on file at PowerTrack.                                     |
| Contact name                       | Vendor contact information                                     | Not required on vendor invoice; already on file at PowerTrack                                      |
| Other substantiating Documentation | Documentation required to support invoice details, as required | Hard-copy DD form 619 must be maintained by TSP and furnished to PPSO on demand.                   |
| Receiving reports information      | Certification of service completion                            | Required on vendor invoice; also known as "notice of service completion". Provided in the EDI 859. |

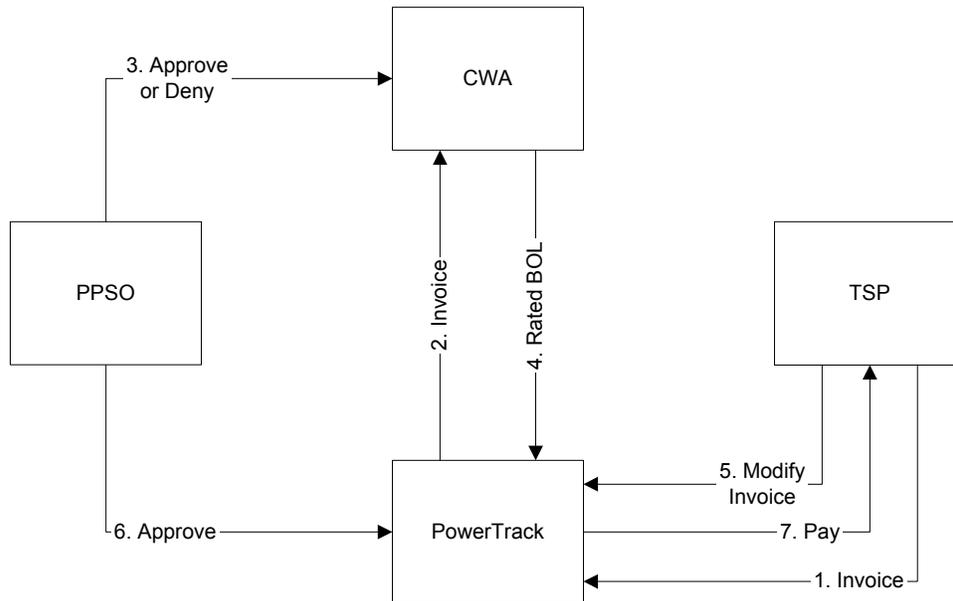
**4. Overall Business Rules for Notification of an Improper Invoice (as outlined in Defense Personal Property Program Phase I CONOPS):**

The current business rules for Phase I state:

- All line items on the individual invoice must be approved, denied or disputed in DPS.
- The PPSO must take action within 3 Government Business Days (GBDs) on invoices awaiting PPSO action in DPS.
- This 3 GBD timeframe falls within the required 7 calendar day period for notification to the TSP of an improper invoice.
- If this notification exceeds 7 calendar days, the number of days between the notification day and the 7 calendar days in question will be subtracted from the 30 calendar days allowed for payment of the invoice. For example, if an agency receives an invoice on November 1 but does not return it as improper to the TSP until November 13 – 5 days after required – and the agency receives a corrected invoice on November 20, the payment due date is December 15, or 5 days earlier, if the payment was due 30 days after receipt of a proper invoice.
- Agencies are required to identify all defects that prevent payment.
- The PPSO will daily receive e-mails requesting an action to outstanding invoices in DPS. Also, an Aging Report has been established in DPS to identify transactions to which action is overdue. Likewise, a TSP status report also exists for transactions in PowerTrack. This report - sent daily via email - outlines the status of each invoice, (including cancelled invoices) and depicts each line item's quantities and cost as approved in DPS.

**5. As-Is Improper Invoice Notification and PPI Clock Usage under Phase I:**

The following process flow depicts the points in the process where notification of an improper invoice may occur and where the PPA clock will start and stop.



**Figure 1: Recommended Process Flow for Phase I.**

1. **Invoice Submission.** TSP submits an EDI 859 Invoice to PowerTrack or creates invoice via the PowerTrack User Interface. PowerTrack performs edit checks and will acknowledge receipt of EDI 859 via EDI 997 (includes notification of error as well). If the invoice is rejected, the clock stops.
2. **Invoice Relay from PowerTrack to DPS:** PowerTrack posts the TSP invoice and sends a copy via EDI 859 to DPS. DPS performs edit checks to include validating correct SCAC/BOL combination and acknowledges receipt via EDI 997 and/or rejects via EDI 824. Rejected invoices will be cancelled in PowerTrack. The clock stops. The PowerTrack create date will be the start of the clock if there are no DPS rejected invoices.
3. **PPSO Invoice Approval/Denial/In Dispute:** PPSO will receive email of pending invoices from DPS and approves, denies or disputes the line items within 3 Business Days (notification of invalid invoice is required in 7 calendar days). The TSPs are required to input the shipment weight information in DPS prior to invoicing. For approved line-items, DPS will then rate those on the invoice. Denied line items will be rated as zero quantity and cost. For approved and denied line-items, the clock does not stop in DPS. With regards to disputed line-items, the PPI clock will stop and restart at zero when the dispute has been resolved.

4. **Rated BoL submission:** DPS sends EDI 858 of rated BoL/invoice to PowerTrack which then matches the TSP invoice
5. **Invoice Modification:** If the TSP invoice in PowerTrack does not match price or quantity to the DPS rated BOL/invoice, the invoice will be in a status of Audit Exception in PowerTrack. TSPs receive the TSP Status Report via email daily notifying the status of all the invoices in PowerTrack including those cancelled via EDI 824 from DPS. If there are denied line items, TSP accepts the partial payment (of the approved line items). The TSP will resolve the denied line items with the PPSO and resend a supplemental invoice for those denied items they are entitled to. Clock will restart at zero with the new invoice.

The PPSO and the TSP will resolve any disputed line items in DPS. Upon resolution, the PPSO will approve the line-item, which in turn will be submitted to PowerTrack. **The line items will only be submitted to PowerTrack as part of the entire invoice, when ALL line items have been updated to the approved or denied status.** At that point, the clock will re-start at 0. The transaction may wind up in Audit Exception in PowerTrack. The TSP will modify their invoice to match the output from DPS. The clock will not stop while the invoice is in Audit Exception and will only stop when the TSP updates their invoice.

If the TSP believes that the items were denied incorrectly by the PPSO/DPS rating engine and the original invoice amount and quantities were correct, the TSP must contact the SDDC help desk, initiating the request for PPA interest. These instances will be handled on a case-by-case basis and will not be automated.

6. **Invoice Approval:** If the TSPs invoice amount is above the maximum dollar threshold established by the military services, the transaction will be in “Approval Required” status and the PPSO has to provide approval in PowerTrack before the TSP is paid. Clock does not stop while transactions are in this status.
7. **Invoice Payment:** If the DPS rated BoL/invoice matches on price and quantity with the TSPs invoice the transaction will be automatically paid. The applicable clock start will be from the “Create Date” in PowerTrack until the Payment Settled date.

**Note:** As part of the invoice verification process, the Origin PPSO has the privilege to request hard-copy documentation from the TSP (to include the DD Forms 619 and 619-1) for any invoice. In addition, the PPSO is required – ref. the sampling methodology as detailed in the CONOPS for Defense Personal Property Program Phase I (version 8 and 9) – to review the hard copy documentation for a set number of transactions selected at random. Under any circumstance, the PPSOs request for hard-copy documentation will result in the PPI clock being stopped and restarted at 0 once documentation has been received by the TSP.

**6. Application of Prompt Pay Interest – Scenarios:**

To further detail the application of Prompt Pay Interest – given the steps outlined in section 5 - the following examples have been developed:

| <b><i>Scenario</i></b>   | <b><i>PPI Application</i></b>  |
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| <p><b><u>Scenario 1:</u></b><br/> TSPs invoice EDI 859 submitted to PowerTrack by the TSP has improper format (caused by syntax errors). TSP will receive an EDI 997 (acknowledgement of receipt will state invalid invoice), generated by PowerTrack. (No EDI 997 for User Interface-created invoice will be provided – it is either passes or fails in the User Interface itself).</p>   | <p>→ <i>Invoice is considered improper and will not be captured in PowerTrack</i><br/> → <i>PPI clock stops.</i></p>   |
| <p><b><u>Scenario 2:</u></b><br/> TSPs EDI 859 or User Interface invoice submitted to PowerTrack by the TSP has the proper format and is sent to DPS, but incurs errors beyond syntax, e.g. Vendor Name/SCAC, (e.g. The BoL number and SCAC combination are incorrect). An EDI 824 error report is generated by DPS and made available to the TSPs in PowerTrack. PowerTrack will push a Status Report to the TSPs by e-mail.</p>  | <p>→ <i>Invoice is considered improper and will be cancelled in PowerTrack</i><br/> → <i>PPI clock will stop and re-start at 0 upon resubmission of invoice</i></p>  |
| <p><b><u>Scenario 3:</u></b><br/> The TSP submits an invoice in PowerTrack and on day 7, the PPSO approves the invoice items in DPS. DPS relays the rated invoice to PowerTrack. Invoice goes into “Approval Required” in PowerTrack as it is above the threshold established by the Services. PPSO takes 25 days to approve.</p>  | <p>→ <i>Clock begins on PowerTrack invoice creation date</i><br/> → <i>TSP gets paid on day 32 from invoice creation</i><br/> → <i>2 days Prompt Payment Interest owed</i></p>   |
| <p><b><u>Scenario 4:</u></b><br/> The TSP submits an invoice in PowerTrack and after 10 days from invoice submission the PPSO approves 8 line items and denies 2 line items in DPS. Invoice is rated for the approved line items and sent to PowerTrack, where the invoice goes into Audit Exception on day 11 from invoice submission. TSP updates the invoice in DPS (zeros out the 2 denied line items) and in PowerTrack on day 12. The rated Bill of Lading and the TSPs’</p> | <p>→ <i>TSP gets paid partial amount on day 12 from original invoice submission</i><br/> → <i>PPI clock will start at 3 days (10 – 7 days)</i><br/> → <i>TSP gets paid in full on day 40 for 2<sup>nd</sup> invoice.</i><br/> → <i>No prompt payment interest on the original invoice. For</i></p> |

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| <p>invoice matches and is paid by PowerTrack. The TSP re-bills for the denied line items on day 12 from original invoice submission and the PPSO takes 28 days to approve line items in DPS. Invoice is automatically approved in PowerTrack on day 40 from the original invoice submission.</p>   | <p><i>the supplemental invoice, 1 day of PPI is due (28 days + 3 days – 30 days = 1 day)</i></p>  |
| <p><b><u>Scenario 5:</u></b><br/>Same scenario as under scenario number 4, but includes one additional step: Upon further investigation, it is concluded that the PPSO denied the line items incorrectly. TSP initiates request for PPA on originally denied line items that were incorrectly denied.</p>  | <p>→ <i>PPI will be settled on a case-by-case basis.</i></p>  |
| <p><b><u>Scenario 6:</u></b><br/>The TSP submits an invoice in PowerTrack. The PPSO takes 3 days to dispute one line item on the invoice and approve others in DPS. The approved line items are rated and TSP zeros out the amount for the line item in dispute. PPSO approves the invoice immediately and it is send to PowerTrack. In PowerTrack the transaction winds up in Audit Exception since the rated invoice from DPS does not match the original invoice filed in PowerTrack. The TSP updates the invoice in PowerTrack and is paid immediately on day 3 from invoice submission. The disputed line item is resolved 35 days after invoice submission. The transaction is sent back to PowerTrack and is in Audit Exception. The TSP updates the invoice for the one line item on day 43.</p> | <p>→ <i>PPI clock for the original invoice stands at 3 days</i><br/> → <i>PPI clock restarts at 0 on day 35 when the invoice for the originally disputed line-item is submitted to PowerTrack</i><br/> → <i>TSP gets paid partially on day 3 and in full on day 43.</i><br/> → <i>No Prompt Pay Interest due (43 days – 35 days = 8 days of PPI clock).</i></p> |
| <p><b><u>Scenario 7:</u></b><br/>The TSP submits an invoice in PowerTrack. The PPSO takes 3 days to dispute one line item on the invoice and approve the remainder in DPS. The TSP updates the invoice in DPS to reflect the government rated amount for the disputed line-item on day 35 from invoice submission. The PPSO approves the updated line-item and DPS relays the feed to PowerTrack. The transaction is sent back to PowerTrack and is in Audit Exception since the TSP did not update the invoice in PowerTrack. The TSP updates the invoice for the one line item in PowerTrack on day 80 and is paid immediately.</p>  | <p>→ <i>PPI clock restarts at 0 on day 35 when the invoice is updated in DPS.</i><br/> → <i>TSP gets paid on day 80.</i><br/> → <i>15 days of Prompt Pay Interest due. (80 – 35 – 30 days = 15 days)</i></p>  |

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| <p><b><u>Scenario 8:</u></b><br/> The TSP submits an invoice in PowerTrack. The PPSO takes 37 days to dispute one line item and approve the remaining in DPS. The TSP updates the one line item to reflect the government-rated line immediately in DPS. The PPSO approves the line-item immediately and the transaction is sent to PowerTrack. It winds up in Audit Exception since the TSP did not update the invoice in PowerTrack. The TSP updates the Invoice on Day 40 in PowerTrack and the invoice subsequently goes into “Approval Required” since it is above the services-established threshold. PPSO takes 3 days to approve the invoice in P o w e r T r a c k</p> | <p>→ <i>PPI clock starts at 30 days (37-7 days) when invoice is submitted to PowerTrack.</i><br/> → <i>TSP gets paid on day 43</i><br/> → <i>6 days of Prompt Pay Interest due (43 – 30 – 7 days = 6 days)</i></p> |
| <p><b><u>Scenario 9:</u></b><br/> The TSP submits an invoice in PowerTrack. The PPSO approves all line items in DPS on day 8. Invoice is above the threshold and has a status of “Approval Required” in PowerTrack. PPSO approves the invoice in PowerTrack on day 34.</p>  | <p>→ <i>TSP gets paid on day 34 from invoice submission</i><br/> → <i>4 days of Prompt Pay Interest due (34 – 30 days = 4 days)</i></p>  |

**7.1 The Interim Process for Calculation and Posting of Prompt Pay Interest**

- a. U.S. Bank generates a report for paid invoices that includes those outstanding more than 30 days using the status in PowerTrack - “Invoice Creation Date” to “Payment Settled” - as parameters. This report will be made available on demand through PowerTrack’s UI, and will include applicable invoices and lines of accounting (LOA) used for the invoices in question.
- b. SDDC will run this report 3 times per week
- c. SDDC will then analyze the history of the invoices in question to determine if the transactions are subject to PPI. SDDC will determine if PPI is applicable taking into account the required 7 days for notification, as well as the PPI clock reset in the event a transaction has been “in dispute”.
- d. If it is determined PPI is owed, the PPI worksheet will then calculate the amount of PPI owed to the TSP. The basis of the PPI will be the entire invoice-amount
- e. SDDC creates an e-Bill in PowerTrack due to the TSP referencing the TSP invoice number and BoL Number. A specific item code for PPI will be used on the e-bill. The e-bill transactions will become another paid item on the PowerTrack Summary Invoice for a PPSO. The e-bill will contain the line of accounting for prompt payment interest as provided by the origin PPSO’s Military Service.
- f. The origin PPSO will approve the e-Bill as created by SDDC.
- g. DFAS, upon receipt of the PSI, will apply the appropriate interest to the specific Service associated with that Line of Accounting as mentioned above.

- h. The government will reimburse U.S. Bank for all interest payments made to the TSP.

## **7.2 The Long-Term Process for Calculation and Posting of Prompt Pay Interest**

- a. As indicated under the proposed interim solution, PowerTrack will use status “Invoice Creation Date” to “Payment Settled Date” as parameters.
- b. With the EDI 858, DPS will submit the number of days beyond the first 7 days that the PPSO took to determine an improper invoice. In the event, an invoice was disputed, the clock will not (re)start at 0 until the item has been approved
- c. US Bank creates an e-Bill to the TSP automatically upon Payment Settled of an invoice where PPI is due referencing the TSP invoice number and BoL number. US Bank will attain the current interest rate from the Treasury Department and apply it to the calculation of the PPI. In addition, the PPI e-bill will contain a specific item code for PPI. The e-bill transactions will become another paid item on the PowerTrack Summary Invoice for a PPSO. The e-bill will contain the line of accounting for prompt payment interest as provided by the origin PPSO’s Military Service.
- d. The origin PPSO will approve the e-Bill as created by PowerTrack.
- e. DFAS, upon receipt of the PSI, will apply the appropriate interest to the specific Service Line of accounting associated with that Line of Accounting used on the invoice.
- f. The government will reimburse U.S. Bank for all interest payments made to the TSP.