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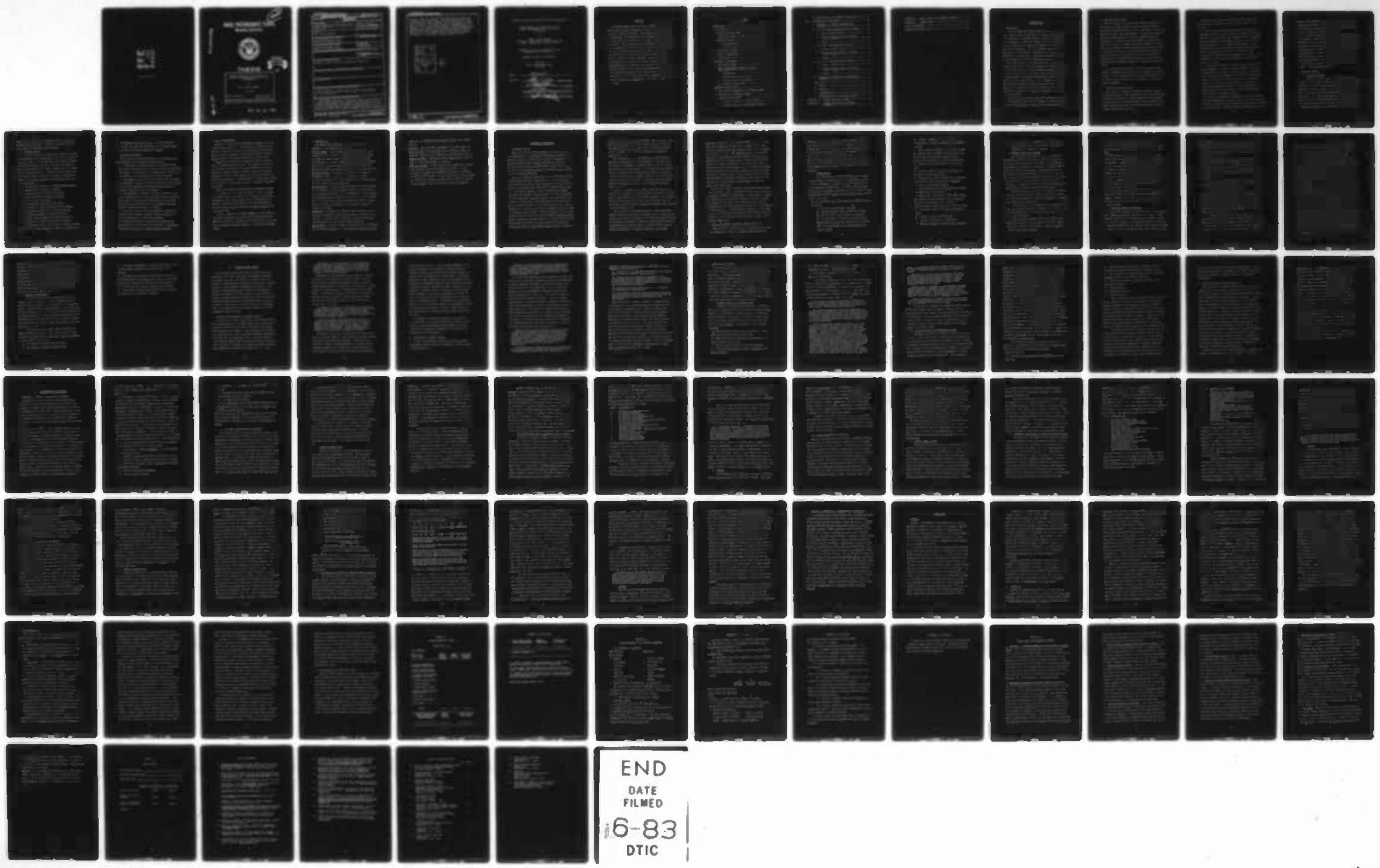

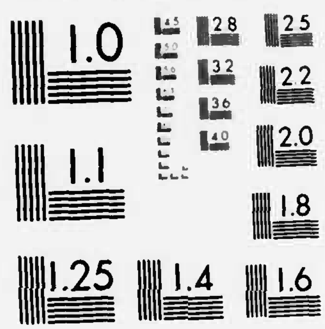

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NAVAL POSTGRADUATE SCHOOL

Monterey, California

THESIS

PROMPT PAYMENT ACT (PUBLIC LAW 97-177)
CURRENT IMPLEMEMTATION INITIATIVES AND
ALTERNATIVES

by

Danny Gerald Matthews

June 1983

Thesis Advisors: Peter W. Blondin
Shu S. Liao

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Government agencies are required by Public Law 97-177 to pay interest penalty payments to vendors for all bills not paid by a specified due date. The purpose of this study was to investigate the implementation procedures developed by the U.S. Air Force, U.S. Army, and U.S. Navy to comply with Public Law 97-177. The investigation was intended to develop alternative procedures

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Prompt Payment Act (Public Law 97-177)
Current Implementation Initiatives and
Alternatives

by

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

Government agencies are required by Public Law 97-177 to pay interest penalty payments to vendors for all bills not paid by a specified due date. The purpose of this study was to investigate the implementation procedures developed by the U.S. Air Force, U.S. Army, and U.S. Navy to comply with Public Law 97-177. The investigation was intended to develop alternative procedures for use in the U.S. Navy that would minimize the impact on operating funds of the Navy. This was accomplished through literature and document research and on site visits to Navy bill paying agencies. The conclusion is that improvements can be made in the Navy's current procedures. Recommendations for changes in the current system include holding claimants and/or subclaimants responsible for subordinate command performance through negotiation of goals and for maturing the current system into one of permanency which will provide incentives for adherence to the goal of timely payment of bills.

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I. INTRODUCTION

A. DISCUSSION

On 21 May 1982, the Prompt Payment Act was signed into law. This new law was preceded by a lengthy investigation into complaints of extended delays by federal government bill paying agencies in effecting payment of bills for goods and services received from commercial industries as well as state and local governments. The investigation, supported by a great deal of congressional testimony from representatives of commercial business groups, confirmed the widespread practice of late payment of bills by government activities.

The Prompt Payment Act became effective 1 October 1982. Starting that date the new law requires all federal agencies to automatically pay an interest penalty payment to vendors any time an invoice is paid after a specified due date. This interest penalty is designed to compensate vendors for costs associated with funds tied up in the government bill paying process beyond normally accepted payment periods. Such payments will be funded from current operating funds of the applicable agency with no additional funding to be provided by the Congress.

The law further requires significantly detailed reports to be submitted annually to the Congress for evaluation of each agency's effectiveness in controlling interest penalty costs.

B. THE NEED FOR THE STUDY

The U.S. Navy as well as all other federal agencies will be required to fund the cost of interest penalty payments from current operating funds, since no additional funding will be made available from the Congress. The potential impact on operating effectiveness of U.S. Navy components could be significant. Although the present method of funding these costs in the Navy is through a centrally managed fund rather than direct charges to operating budgets or operating targets of individual activities, the total Navy-wide reduction in operating funds will ultimately be felt by all components. Additionally, the central fund concept now in use may not be established as a permanent method of financing the interest costs.

It is evident that there is a need to examine the Navy's method of expediting and controlling the payment of invoices relative to the effectiveness of the current procedures and to identify other alternatives if necessary to improve the current procedures.

C. PURPOSE AND SCOPE OF STUDY

This study is intended to identify a feasible central funding technique or other alternative which can be employed to minimize the amount of interest penalties and therefore minimize the impact on the Operations and Maintenance, Navy (O&MN) appropriation which has been designated to fund all interest costs within the Navy.

The specific questions of concern that were identified for research in preparation for writing this report are as follows:

(1) What are the legal and administrative regulations imposed upon the U.S. Navy, relative to payment of interest penalties on delinquent bills? Numerous legal requirements have been imposed on the federal government as a whole by OMB's implementation of congressional mandates. These mandates have been significantly expanded through administrative implementation efforts of the Office of the Secretary of Defense and the Department of the Navy. It is essential to understand the requirements to insure the ability to comply.

(2) How does the theory of internal control apply to the Prompt Payment Act relative to timely payment of bills in the Department of Defense? Internal control is related to a set of operating procedures that provide an established degree of control over specified activities. An understanding of the theory of such control is essential to evaluate implemented procedures to insure expediting bill payment without degrading internal control systems which guard against fraudulent practices.

(3) How do the procedures implemented by the Navy compare to those implemented by the U.S. Army and the U.S. Air Force in terms of effectiveness in managing and controlling interest penalty payments? The administrative implementation of the

congressional mandates by each of the services was an independent action. Procedures of all three services must be reviewed to compare the potential of each for effectiveness in controlling interest penalties.

(4) Are there alternative procedures to those implemented in the Navy, in use within other areas of the Department of Defense, or other procedures not yet identified, that can be adapted for use by the Navy in management of interest penalties and in minimizing the impact on the Operations and Maintenance, Navy (O&MN) Appropriation? If alternative or additional new procedures exist which can contribute to minimizing interest costs, a search for these alternatives is essential to provide a basis for recommending improvements in the established system.

D. RESEARCH METHODS

1. Literature Review

Research for this report was accomplished primarily by means of a literature search and on site visits. Documents, including DOD Instructions, Department of the Navy Instructions, memoranda, letters, studies, reports and messages, Department of the Army Regulations, Department of the Air Force Regulations, U.S. Senate Hearings Report, OMB circulars, Public Law 97-177, and Defense Acquisition Regulations (DAR), were obtained from various official sources. An in depth review was conducted of each document to answer the research

questions posed above. The primary source of background information on the theory of internal control was obtained from published literature on the subject.

2. <u>On Site Visits</u>

In order to gain an insight into current implementation initiatives and effectiveness in the Navy, two on site visits were made. A visit was made to the Fleet Accounting and Disbursing Center, Pacific, San Diego, California to observe the effects of the Prompt Payment Act on the payment of fleet originated bills. A second visit was made to the Naval Supply Center, San Diego, California to observe the effects of the Prompt Payment Act on the payment of shore originated bills.

The principal areas of interest which were observed and discussed during the visits included:

(1) Observation of bill paying procedures.

(2) Review of quality assurance procedures.

(3) Invoice return procedures.

(4) Procedures for establishing due dates.

(5) Procedures for calculating and paying interest.

(6) Accounting procedures for interest payments.

(7) Established systems of internal control.

(8) Problem areas created by the Prompt Payment Act.

(9) Procedures for required and optional reports.

The informal nature of the visits provided an excellent opportunity for a free exchange of ideas and concepts relating

to the implementation initiatives of the Prompt Payment Act, as well as ideas for improvement in the effectiveness of the overall control of timely bill payment.

E. EVALUATION CRITERIA

The criteria utilized for evaluation of improvements in effectiveness of bill payment procedures are:

(1) Development and administration of regulations that will insure individual Naval activities respond to essential timeliness in the submission of documentation, relative to bill payment, to the appropriate bill paying agency.

(2) Development of the ability to provide timely information necessary to enable follow-up capability on performance of individual commands and expedient identification of commands repeatedly failing to comply.

(3) Establishment of systems of internal control in bill paying agencies that will simultaneously prevent unauthorized delay in bill payment by identifying all invoices approaching an overdue status for management review and prevent unauthorized issuance of checks.

(4) Ability to provide recurring reports to appropriate command level personnel regarding interest payments on invoices pertaining to subordinate commands.

(5) Develop and install a method to encourage active participation at all levels within the Navy in physically minimizing the amount of interest penalty payments.

F. THESIS ORGANIZATION

Chapter II discusses the background information relative to the Prompt Payment Act. The information discussion will reflect a historical review of the conditions that brought about the Prompt Payment Act and review the legal requirements imposed on the federal government by the new law.

Chapter III discusses the concept of Internal Control from a theoretical point of view. The theory is related to the problem of controlling the timely payment of bills by federal government agencies through a system of controls designed to prevent late payment of bills without approval of authorized persons. Simultaneously the system must protect the integrity of the internal control of possible fraudulent activities.

Chapter IV discusses the procedures implemented by the U.S. Air Force, the U.S. Army, and the U.S. Navy to comply with directives of the Office of the Secretary of Defense in implementing the Prompt Payment Act in the Department of Defense. Important differences in the three systems are highlighted and discussed relative to possible adaption for use in the Navy.

Finally, Chapter V provides a summary of the results of the study, conclusions are drawn, and recommendations are made for alternative procedures that might be utilized in the Navy to improve the current program of controlling interest costs.

G. DEFINITIONS

The appropriate definition of terms to be utilized in completing this thesis are as follows:

Federal Agency. Has the same meaning as the term "agency" in section 551(1) of Title 5, United States Code, and also includes any entity which is operated exclusively as an instrumentality of such an agency for the purpose of administering one or more programs of that agency. Defense non-appropriated fund activities are included under this definition.

Business Concern. Any person or organization engaged in a profession, trade or business and nonprofit entities (including state and local governments, but excluding federal entities) operating as contractors.

Proper Invoice. A bill or written request for payment which (1) includes all of the information required by the terms of the procurement document; (2) is accompanied by such substantiating documentation as required by regulation or the contract; and (3) is received in the designated paying office. Supplemental billings will include all information required for original billings.

Acceptance. A formal certification that the goods or services have been received and that they conform to the terms of the contract. Notification of acceptance should be provided to the paying office within 5 days after acceptance.

Paying Office. The place named in the contract for forwarding of invoices for payment, or in the case of invoices requiring

approval (e.g. Defense Contract Audit Agency), the approving office.

Contract. Any enforceable agreement, including rental and lease agreements and purchase orders, between an agency or a business concern for the acquisition of property or services.

Payment Due Date. The date by which payment must be made in order to avoid the accrual of interest.

Specific Due Date. If the contract has a payment date specified, that date will be the specific due date. If the contract has payment and financing terms such as "promptly" or "payable upon receipt" it has a specific due date and means that payment will normally be made within 5 days of receipt but may be made no later than 30 days following receipt.

II. BACKGROUND INFORMATION

A. HISTORICAL REVIEW

Public Law 97-177 (Prompt Payment Act) is the final result of a long period of unacceptable performance of federal agencies relative to their timely payment of commercial bills. Acceptable performance has been consistently plagued by chronic problems despite numerous administrative controls which set forth directives governing mandatory payment dates for all commercial invoices.

Failure of administrative controls to effectively enforce timely payments became a confirmed fact in 1978, when the General Accounting Office (GAO) completed a two year investigation of complaints levied by various business groups [Ref. 1: p. 2]. These complaints charged numerous government agencies with lengthy, unexcused delays in effecting payment for work performed, services rendered, and merchandise sales by federal contractors. The investigation disclosed that in excess of forty percent of all invoices submitted to the U.S. Government bill paying activities (representing twenty percent of the total dollar volume of federal payments) were not paid within the thirty day time period normally considered acceptable in commercial business activity. Further, based on a six month sampling period, the report estimated that federal contractors may have experienced interest costs in excess of

$30 million during the sampling period. These interest costs were a direct result of financing money tied up in overdue government bills. This increased cost of operations established a sound, valid basis for complaints by federal contractors.

Upon completion of its investigation, GAO made several specific recommendations to the Department of Treasury and the Office of Management and Budget (OMB) on ways to improve the timeliness of bill payment. In 1981 several new administrative initiatives were implemented by OMB in an attempt to control and monitor bill payment. However, as in the case of previous administrative efforts, those new initiatives were deemed unsatisfactory by GAO in its 9 October 1981 report [Ref. 1: p. 2].

In 1981, in response to a request received from the U.S. Senate, GAO conducted a follow-up review of the area to determine if improvements had in fact been effected. On 9 October 1981, an official GAO report was filed indicating that no improvement had been made in reducing the average time required to pay government bills.

The continued and prolonged failure to meet acceptable payment dates has resulted in increased costs of material and services to the U.S. Government. The additional costs incurred by government contractors, caused by increased administrative requirements and finance charges for money overdue from the federal government, is legally allocated to applicable

contracts as part of the total cost thereof [Ref. 2: p. 205]. Even more significant is the loss of commercial business activities seeking government contracts and business opportunities [Ref. 1: p. 4]. The repeated failure of government agencies to meet administratively mandated responsibilities, thereby resulting in significantly increased administrative burdens for federal contractors, has caused many firms to decline business offers tendered by U.S. Government agencies. The resulting loss of available competitive industrial base creates the potential for a loss of flexibility and reduced effectiveness in government operations, particularly in the Department of Defense where a high degree of technical expertise is essential.

The critical reports issued by GAO supported the congressional testimony given by numerous business groups concerning the federal government's performance. Congressional concern for these supported complaints combined with their concern for effects of the loss of the competitive base and the increasing cost of goods and services resulted in the passage of new legislation. The Delinquent Payment Act (introduced in the U.S. Senate by 23 co-sponsors) was passed by the 97th Congress on 21 May 1982 as Public Law 97-177; short titled "Prompt Payment Act."

B. LEGAL REQUIREMENTS IMPOSED BY PUBLIC LAW 97-177

Public Law 97-177 directs that in accordance with regulations prescribed by OMB, all federal agencies procuring

property, services, or supplies from any business activity will pay an interest penalty to that business activity (from current operating funds, with no additional appropriations to be forthcoming) when payment for the property or services is not made by a required payment date [Ref. 3: p. 1]. In setting forth the criteria for determining when interest should be paid and how much interest should be paid, numerous requirements have been mandated as described in the following sections:

1. <u>Documentation</u>

The determination of the propriety of an interest penalty payment and calculation of the appropriate amount to be paid is dependent on accurately recorded information on all procurement documentation. To insure that necessary information is provided to the paying activity, all contracts, invoices and receiving reports are to be annotated as follows [Ref. 4: pp. 3-4]:

(1) All contracts must include specific payment provisions as follows:

(a) The appropriate payment due date.

(b) Separate payment dates if partial payment is provided for partial executions or deliveries.

(c) If applicable, a statement that the special payment provisions for meat and meat food products [Ref. 5] or perishable agriculture commodities [Ref. 6] apply.

(d) A stated inspection period following delivery, if necessary, for federal acceptance of property or services.

(e) Name, where practicable, title, phone number and complete mailing address of officials of the activity and the designated paying office.

(2) Invoices must include the following annotations:

(a) Name of the business activity and invoice date.

(b) Contract number or other authorization for delivery of goods and services.

(c) Description, price, and quantity of property and services actually delivered or rendered.

(d) Shipping and payment terms.

(e) Other substantiating documentation or information required by the contract.

(f) Name, where practicable, title, phone number and complete mailing address of the responsible official to whom payment is to be sent.

(3) Receiving reports must include the following data:

(a) Applicable contract or other authorization number.

(b) Product or service description.

(c) Quantitites received, if applicable.

(d) The date property or services were accepted.

(e) Signature, printed name, title, phone number and mailing address of the official responsible for receiving the property or services.

2. Payment Dates and Due Dates

As directed by OMB [Ref. 4: pp. 3-8], payment of individual invoices is required as close as possible to, but not later than the appropriate due date. To accomplish this requirement, all agencies are directed to forward completed receiving reports and invoices in sufficient time to be received by the designated paying activity not later than the fifth day following acceptance of property or services. This requirement will be waived only when an invoice is returned to a vendor due to defect, error or impropriety as discussed under "Interest Payment Requirements".

Designated paying activities are required to annotate the date of receipt of each invoice and receiving report on each individual document for reporting purposes as discussed under "Reporting Requirements".

The specifications for determining the appropriate due dates have been promulgated by OMB [Ref. 4: pp. 3-8] as set forth by the Congress in Public Law 97-177 [Ref. 3: pp. 1-2] in the following manner:

(1) When a specified payment date is included in the applicable contract, the due date will be that date so specified. Payment will be made as close as possible to, but not later than that date.

(2) When a time discount is authorized and taken, the due date will be the discount date. Payment will be made as close as possible to, but not later than the discount date.

(3) When the invoice is for meat or meat food products, the due date will be the seventh day following delivery of the products. Payment will be made as close as possible to, but not later than the seventh day following delivery.

(4) When the invoice is for perishable agriculture commodities, the due date will be the tenth day following the delivery date, unless another date is specified in the contract. Payment will be made as close as possible to, but not later than the tenth day following delivery or the date specified in the contract.

(5) In all other cases, the due date will be the thirtieth day after receipt of a proper invoice by a governmental agency. Payment will be made as close as possible to, but not later than the thirtieth day following receipt of a proper invoice.

3. Interest Payment Requirements

Any time a contract or purchase order is established with a commercial business activity or any state or local government, payment of an interest penalty becomes a potential. That is, payment of an appropriate amount of interest is required automatically as a penalty charge whenever payment for property or services received under that contract is not

made within a 15-day grace period following the established due date (a 3-day grace period applies for meat and meat food products and a 5-day grace period applies for perishable agriculture commodities) when either of the following conditions exists [Ref. 4: p. 5]:

(1) Federal acceptance of property or services has occurred and there is no disagreement over quantity, quality or any other contract provisions and a proper invoice has been received or an agency has failed to give notice that an invoice is not proper within the required time frame.

(2) When an agency takes a discount after the discount period has expired and fails to correct the underpayment within the grace periods mentioned above.

Payment of an interest penalty will not be required when payment for property or services is delayed because of dispute or disagreement between a government agency and a business activity concerning compliance with contract terms. Additionally, interest penalty payments are not required when payments are made as advance payments to contractors for financing purposes [Ref. 4: p. 5].

Payment of interest will not be required when payment of any bill is delayed because of lack of a proper invoice when notification of an apparent error, defect, or impropriety in that invoice is made to the contractor within 15 days of receipt (3 days for meat and meat food products and 5 days

for perishable agriculture commodities) and is documented. The official invoice receipt date will then be established as the date of receipt of a new proper invoice (providing adequate and proper notification of error is made).

The determination of the amount of interest to be paid is dependent on both the applicable interest rate to be applied and the amount of time for which interest has accrued. The Congress has directed [Ref. 3: p. 2] that the interest rate applicable to the Prompt Payment Act shall be that interest rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611). This interest rate is referred to as the "Renegotiation Board Interest Rate". Current rates are now published semiannually on or about January 1 and July 1 in the Federal Register. When a proper invoice is paid after the due date plus the appropriate grace period, the amount of interest to be included in the payment will be computed from the day following the due date through the date of payment (the date the check is written). Unpaid interest penalties will be compounded on a 30-day basis and continue to accrue until paid, until a claim is filed for payment, or for one year, whichever is shorter. When time discounts are taken erroneously, the interest payment will be calculated on the amount of discount taken, for the period beginning the day following the end of the proper discount period through the payment date. When notification to a contractor of

receipt of an improper invoice fails to occur within the allowed time, the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days between the end of the notification period and the day notification was transmitted. Therefore calculation of any interest penalties will be based on an adjusted due date. Interest penalties need not be paid for any of the above mentioned conditions if the total amount of interest due is less than one dollar [Ref. 4: pp. 5-6].

4. Reporting Requirements

To provide a means of congressional oversight, the Director of OMB is required to file a detailed report on interest penalty payments to the Committee on Governmental Affairs, the Committee on Appropriations, and the Committee on Small Business of the U.S. Senate and to the Committee on Government Operations, the Committee on Appropriations, and the Committee on Small Business of the U.S. House of Representatives within 120 days following the close of each fiscal year [Ref. 3: p. 3].

To accomplish this mandate, OMB has directed all federal agencies to report to the Director within 60 days following the close of each fiscal year, specific information as follows [Ref. 4: pp. 6-7]:

(1) The number of interest penalties paid.

(2) The amount of interest penalties paid.

(3) The relative frequency, on a percentage basis, of all interest penalty payments to the total number of all payments.

(4) The number, total amount, and relative frequency, on a percentage basis, of payments made 5 days or more before the due date (except where cash discounts were taken).

(5) The reasons that interest penalties were incurred.

(6) An analysis of the progress made from previous years in improving the timeliness of payments.

III. INTERNAL CONTROL THEORY

This chapter discusses the theory of internal control following its evolution from early development to present day systems and uses. The concept of internal control is explored to demonstrate the meaning and usefulness of control systems in both government and commercial business. As an example of an application of an internal control system, specific principles of internal control as they relate to a manually operated system are discussed and then contrasted to differences associated with an automated system. The relationship of these internal control principles to implementation of and compliance with the Prompt Payment Act is then discussed in specific terms.

A. HISTORY AND DEVELOPMENT OF INTERNAL CONTROL

The concept of control mechanisms in business and government organizations has long been recognized as essential in promoting accuracy and efficiency in operations and subsequent preparation of reports. This fundamental recognition was demonstrated by several published statements throughout the period 1917 to the present time. A specific example is a 1929 Federal Reserve Board publication concerning verification of financial statements of commercial business concerns which addressed the concept as follows [Ref. 7: p. 102]:

> The extent of the verification will be determined by the conditions of each concern. In some cases the auditor may find it necessary to verify a substantial portion or all of the transactions recorded upon the books. In others, where the system of internal check is good, tests only may suffice.

Subsequent to the publication of the article, a significant event in the evolution of internal control occurred when the public accounting profession publicly joined the Federal Reserve Board in recognizing the importance of sound systems of internal control in safeguarding cash and other assets. This was done through a 1936 American Institute of Certified Public Accountants (AICPA) publication revising the original 1929 Federal Reserve Board publication as follows [Ref. 7: p. 103]:

> An important factor to be considered by an accountant in formulating his program is the nature and extent of the internal check and control in the organization under examination. The more extensive a company's system of accounting and internal control the less extensive will be the detailed checking necessary.
>
> The term internal check and control is used to describe those measures and methods adopted within the organization itself to safeguard the cash and other assets of the company as well as to check the clerical accuracy of the bookkeeping. These safeguards will frequently take the form of a definite segregation of duties or the utilization of mechanical devices.

Throughout the period of industrialization in the United States, business, industry, and government have significantly increased in magnitude and complexity. This growth has resulted in greatly increased emphasis on internal control procedures expanding the concept from control of cash and other assets to include control over areas of administrative

and operational activity. This increased emphasis was mandated by necessity for efficiency and effectiveness of operations which can be achieved only through delegation of authority and responsibility to subordinates. Government regulation of many industries, such as the mandates of the Securities and Exchange Commission (SEC) requiring submission of audited financial statements by public corporations, has resulted in industry finding it essential to employ sound control systems. Such action is necessary to insure the ability to comply with legal requirements and to minimize cost of independent audits. In government the Comptroller General of the United States requires a comprehensive review of internal control systems in place in federal agencies when audited by any internal or external audit agency [Ref. 8: p 38].

In response to increasing awareness of the need for internal control, the public accounting profession has led the way in developing comprehensive systems of internal control and in developing techniques for evaluating the effectiveness of such systems.

B. DEFINITION OF INTERNAL CONTROL

In 1973, the American Institute of Certified Public Accountants (AICPA) defined the concept of internal control as follows [Ref. 9]:

> Internal control comprises the plan of organization and all of the coordinated methods and measures adapted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed management policies.

This definition describes various systems of planning and control within individual organizations which are established to assist management personnel in effectively meeting the goals set forth for the organization. This includes the methods by which top management delegates authority and assigns responsibility [Ref. 10: p. 124] for all functions carried out by subordinate personnel. It also includes implementation of specified operating procedures designed to effect both administrative control and accounting control in the organization. The distinction between administrative control and accounting control is important from the aspect of establishing responsibility for adequate maintenance of the system. To clarify that distinction and to demonstrate the relationship between the types of controls, the AICPA provided the following definitions [Ref. 9]:

> Administrative control includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision process leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

> Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of

financial records and consequently is designed to provide reasonable assurance that:

(a) Transactions are executed in accordance with management's general or specific authorization.

(b) Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity to generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.

(c) Access to assets is permitted only in accordance with management's authorization.

(d) The recorded accountability for assets is compared with the existing assets at reasonable intervals and the appropriate action is taken with respect to any differences.

These definitions classify a system of internal control as a collection of all measures employed by an organization for the purposes of safeguarding its resources against waste, fraud, and inefficiency; promoting accuracy and reliability in accounting and operating data; encouraging and measuring compliance with organizational policy; and judging efficiency of operations [Ref. 10: p. 124]. The wide application of this description demonstrates that internal control is significantly more than a system of checks and balances employed for the prevention of fraud or detection of accidental errors in the accounting process. As a complete system of accounting and administrative controls, it is an indispensable aid to efficient management, particularly in large, complex organizations [Ref. 10: p. 124].

C. PRACTICAL APPLICATION

In the previous section, internal control was described as a total system of control designed as an aid to efficient management. Although the theory of this concept is quite sound, understanding the practical application of the concept may be difficult. Therefore, to clarify this area, a discussion of how a system of internal control might be organized and applied to a manual accounts payable operation of a large commercial enterprise is presented. This example is then followed by an examination of the additional requirements and differences of an automated system.

1. Internal Control In A Manual System

Purchases of merchandise and materials ordinarily make up the largest portion of the accounts payable account. Therefore, the concept of internal control as applied to accounts payable in this model, is that of a system which will insure funds expended in payment of an invoice are proper in every respect. Being proper in every respect includes:

(1) Assurance that each invoice is related to a legitimate, properly authorized purchase order.

(2) That the material ordered has been received in the proper quantity and quality.

(3) That the invoice has not previously been paid.

(4) That the proper amount of cash is expended to the proper persons.

(5) That the invoice is paid in a timely manner with consideration given to time discounts offered.

(6) That proper recording, reporting and file maintenance is accomplished.

In a manual system, the first step toward accomplishment of these minimum assurances is the segregation of duties so that a cash disbursement to a creditor will be made only upon approval of the purchasing, receiving, accounting and finance departments as discussed by MEIGS, LARSEN, AND MEIGS in the following narrative [Ref. 10: p. 564]:

> All purchase transactions should be evidenced by serially numbered purchase orders, copies of which are sent to the accounts payable department for comparison with vendors' invoices and receiving reports.
>
> The receiving department should be independent of the purchasing department. Receiving reports should be prepared for all goods received. These documents should be serially numbered and prepared in a sufficient number of copies to permit prompt notification of receipts to the accounts payable department, purchasing department, and stores department.
>
> Within the accounts payable department, all forms should be stamped with the date and hour received. Vouchers and other documents originating within the department can be controlled through the use of serial numbers. Each step in the verification of an invoice should be evidenced by the entering of a date and signature on the voucher. The most effective means of assuring that routine procedures, such as the proof of extensions and footings and the review of the propriety of discounts taken, are consistently carried out is the requirement that a designated employee sign the voucher as each step in verification is completed. Comparison of the quantities listed on the invoice with those shown on the receiving report and purchase order, if carefully made, will prevent the payment of charges for goods in excess of those ordered and received. Comparison of the prices, discounts, and terms of shipment as

shown on the purchase order and on the vendor's invoice provides a safeguard against the payment of excessive prices.

Separation of the function of invoice verification and approval from that of cash disbursement is another step which tends to prevent error or fraud. Before invoices are approved for payment, written evidence must be presented to show that all aspects of the transaction have been verified.

Another control procedure in a well-managed accounts payable department is regular monthly balancing of the detailed records of accounts payable to the general ledger control account. These trial balances should be preserved as evidence of the performance of this procedure and as an aid in localizing any subsequent errors.

Monthly statements from vendors should be reconciled with the accounts payable ledger or list of open vouchers, and any discrepancies fully investigated.

The narrative indicates one possible internal control system for a single area of concern. It should not be construed as the only system or the best system for a particular situation. It should however, demonstrate the meaning of internal control and provide a better understanding of the importance of such a system to the management of accounts payable in a manual system.

2. Internal Control In An Automated System

The basic objectives of internal control as discussed earlier in this chapter are not diminished in any manner with the introduction of electronic data processing (EDP) systems. The primary purpose of internal control in an automated system is to provide a plan of organization, procedures, and coordinated methods and measures to assist management in accomplishing the goals of the organization. In an automated

system many of the controls used in a manual system are not available nor practical for use. Specifically, in the traditional manual accounting systems, one of the most important elements of internal control consists of the segregation of duties among employees [Ref. 10: p. 157]. Ideally, this segregation is done in such a manner that the work of one person verifies the work of another and no one employee completes a transaction in its entirety. With the incorporation of an EDP system, the work previously done by numerous employees, in a manner consistent with the principles of segregation of duties, will be accomplished electronically by computer under the control of a single group of computer operators. Since transaction data submitted by other departments will be processed in its entirety by these operators, internal control theory requires a system that will encourage adherence to prescribed managerial policies relative to accuracy and honesty in accomplishing their work. Therefore alternate control mechanisms must be developed to support the credibility of the internal control system. In an EDP system the control mechanisms revolve around access to and use of EDP equipment and accessories.

As discussed by Arens and Loebbecke [Ref. 11: p. 445], controls in an EDP system can be classified as either general controls or application controls as follows:

General Controls:

(1) The plans for organization and operation of the EDP activity.

(2) The procedure for documenting, reviewing, testing and approving systems and programs and changes therein.

(3) Controls built into the equipment by the manufacturer (commonly referred to as hardware controls).

(4) Controls over access to equipment and data files.

Application Controls:

(1) Input controls.

(2) Processing controls.

(3) Output controls.

General controls relate to the EDP system as a whole and are necessary to provide for segregation of duties of specific personnel such as systems analysts, programmers, computer operators, librarians, and the data control group. Further, the general controls provide for physical security of records, files and computer programs. Additionally, the general controls provide for physical and professional control over the development, documentation, review, and testing of computer program content and for changes therein.

The application controls relate to the specific use of the system and are designed to protect against input of erroneous data, to control the reliability of the records during the application and to insure reliable output data. Employing such control mechanisms will provide adequate assurance of effective and efficient administrative and accounting activity when subjected to continuous review. It is essential to establish a data control group which can

serve as the internal audit staff of an EDP system. Constant review and evaluation of procedures will enhance the performance of the system of internal control in an automated environment.

D. APPLICATION TO THE PROMPT PAYMENT ACT

The application of internal control theory to the Prompt Payment Act is of significant importance to the Navy. All bill paying agencies in the Navy employ some form of internal control designed to prevent fraudulent activities. With the implementation of the Prompt Payment Act, it is essential that a professional review be conducted of the established systems of internal control to integrate requirements of the Prompt Payment Act. A system of internal control is required in each activity that will regulate the timeliness of the payment date of all invoices in a manner that will prevent late payment without management approval and maximize time discounts taken. The system must include the ability to insure accurate supporting documentation, payment, accounting, recording, and reporting as well as continue to prevent fraudulent actions and to recognize errors. Additionally, the revised systems must extend to individual user commands to provide a mechanism to prevent delay in submission of supporting, payment related documentation.

Review and update of the various systems is necessary to prevent the potential total loss of control. With the

implementation of the Prompt Payment Act, a great deal of pressure has been exerted on personnel of all bill paying agencies to reduce the time required to pay invoices and minimize interest payments. With major emphasis being placed on improving timeliness, a great potential exists for degradation and disregard of previously installed controls by seeking shortcuts in the established bill paying system. The result of such actions could be increased potential for errors or fraudulent activities. Additionally, if such degradation occurred, the agency concerned would be open for a finding of a major deficiency in subsequent on site audits [Ref. 8].

Internal control in the Navy must be regarded as an important, integral part of all financial activities. As discussed earlier in this chapter, management must comply with the Prompt Payment Act without sacrificing the safeguarding of assets and the proper execution of administrative and legal regulations.

The internal control principles to be observed in designing a bill paying system will be used as a reference in evaluating the Navy's established system.

IV. IMPLEMENTATION PROCEDURES

A. SECRETARY OF DEFENSE IMPLEMENTATION GUIDANCE

Subsequent to the publication of OMB implementation directives for the Prompt Payment Act, the Office of the Secretary of Defense (OSD) established general guidelines to be followed by the Secretaries of the Armed Services. These general guidelines were to be utilized by service secretaries in developing individual service programs and issuance of instructions to comply with the Prompt Payment Act as directed by OMB.

The initial statement of OSD indicates that as a general rule, all defense activities are expected to pay their bills in a timely manner to avoid the necessity of making interest payments. The heads of the individual defense components are tasked with the responsibility of assuring timely payments and the payment of interest when appropriate. The payment of such interest is to be funded from the current operation and maintenance account of the service or agency responsible for actually making payments to contractors for bills or invoices. Funds to finance these payments are to be maintained at the paying offices or controlled centrally at the service or agency level. Additionally, the component heads are tasked with the requirement of executing periodic reviews of the causes of interest payments and implementing corrective

action as required. Finally, organizations must incorporate review of this program into current internal audit initiatives [Ref. 12: 1].

A final specific directive contained in the OSD guidance relates to reporting requirements. Each military department is required to file an annual report with the Washington Headquarters Services, Directorate of Information Operations and Reports, Washington, D.C. (WHS). This annual report is to be a consolidated report of all interest payments made during the preceding fiscal year under the Prompt Payment Act by all bill paying agencies under the operational control of each reporting activity. This report is to be submitted not later than 50 days following the close of each fiscal year in the format shown in Appendix A. Within the report, each interest payment is to be categorized according to the reason for late payment of the applicable invoice. This categorization is to be accomplished in accordance with the following list of Standard Reason Codes for late payment:

(1) The contract, including amendments, is not available in the paying office.

(2) Receiving documentation delay by receiving activity.

(3) Delayed to obtain required certification of invoice.

(4) Delayed by the paying office (documentation complete but payment delayed).

(5) Military exercises in progress.

(6) Discount taken in error.

(7) Failure to notify vendor of defective invoice within 15 days.

(8) Automated systems processing delay (machine is down, cannot process receiving reports).

(9) U.S. Postal Service delays.

(10) All other (NOTE: Exact reason should be reported at installation level, but put in "all other" category when reported to higher levels).

Following receipt of all consolidated reports for the Department of Defense, the WHS is tasked with consolidation and transmission of the reports to the Office of Management and Budget.

B. U.S. AIR FORCE IMPLEMENTATION PROCEDURES

In accordance with the general guidelines issued by the Office of the Secretary of Defense (OSD), the U.S. Air Force implemented a comprehensive program to comply with the Prompt Payment Act. As directed by the OSD the Air Force will fund all interest payments from the Operations and Maintenance accounts applicable to Air Force components, except for cases involving Foreign Military Sales (FMS) which are handled as special cases. In that regard, funds made available to operate the applicable paying offices are designated to bear all interest costs without regard to the appropriation paying the invoice, the activity that actually caused the late payment, or the agency whose funds are being administered [Ref.

13]. Projections made by the Air Force estimate a small and insignificant amount of interest payments will be experienced Air Force wide. Therefore it is expected that operating funds of the individual paying offices will be able to support those payments without any significant impact on operational capability of the paying offices. However, should this projection prove to be inaccurate, the flexibility is being maintained at Headquarters level to reevaluate the current funding programs to implement procedures for necessary reimbursement of interest costs experienced by paying offices.

In accomplishing the payment of invoices and interest penalties within the Air Force, specific procedural guidelines have been promulgated by Headquarters, Air Force Accounting and Finance Center, for all receiving and paying activities to follow. These procedural requirements are identified and discussed in the succeeding sections [Ref. 14].

1. General Payment Terms

Payments to vendors are to be scheduled to coincide with specified or established due dates. Actual payment should be accomplished as close as possible to, but not later than the due date. To establish this date all supporting documentation is to be date-stamped on the day of receipt in the Accounting and Finance Office, insuring that the original and first copy of each invoice is so stamped. When invoices are received they are to be immediately examined and

compared to contractual documents and receiving reports. Notification of any defect or impropriety discovered in an invoice is to be made to the appropriate vendor within 15 calendar days of receipt of the invoice (3 business days for meat and meat food products and 5 calendar days for perishable agriculture commodities). The notice transmitted to the vendor must be in writing and is considered accomplished on the date the notification is mailed. A record is to be maintained to document the notification action and the date completed. Discrepancies in quantity or unit price are not normally sufficient to classify an invoice as defective or improper.

In the event that the receiving reports, copies of contracts and modifications, or other documentation are not available in the paying agency, the Accounting and Finance Officers are directed to follow-up with the appropriate contracting or receiving activity and request documents needed to complete the payment action. This follow-up action is to be accomplished in sufficient time to prevent loss of cost effective discounts and to avoid the necessity of paying late payment interest penalties. If the requested documentation is not received within a reasonable time or if follow-up action is habitually required, the matter is to be reported through proper channels to the commander of the delinquent activity.

Vendors' requests for partial payment are to be honored by Accounting and Finance Officers to avoid or reduce the amount of interest payments, unless specifically prohibited by the applicable contract. In cases where delivery has been made and documentation is complete, partial payments are to be volunteered to avoid the necessity of making interest payments. When it becomes necessary to delay payment of an invoice because of the requirement to obtain advanced decisions, the vendor is to be informed by letter, within the normally allowed time frame, of the delay, the cause of the delay, and the expected payment date. Delayed payments should be avoided except where absolutely necessary and the difficulty creating the delay should be resolved as soon as possible.

2. Accounting and Control of Interest Penalty Payments

To insure an adequate system of accumulating data for subsequent review and reporting and for properly accounting for interest payments, several technical changes have been made to the accounting data element structure in use. Specifically, all Air Force paying activities will use a new base-wide cost center designated as XX88XX. Functional category 13 (admin) will be used and will be linked to program element XXX96 for Operation and Maintenance, Air Force appropriations. Additionally, a new element of expense identification code (EEIC) 682XX has been established for recording interest expense payments associated with the Prompt Payment Act. No other expense obligation may be charged to this EEIC. The

fourth position of the EEIC will contain a numeric code (1-10) corresponding to the "Standard Reason Codes for Late Payment" addressed earlier in this chapter. The fifth position of the EEIC will be an alpha code (A-Z) reflecting the appropriation cited on the voucher for which an interest penalty was incurred. The applicable codes are as follows:

CODE	APPROPRIATION
A	AF Operation and Maintenance
B	AF Other Procurement
C	AF Military Construction
E	AF Reserves (all appropriations)
F	AF Aircraft Procurement
G	AF Air National Guard (all appropriations)
H	AF Military Family Housing
M	AF Missile Procurement
N	Navy and Marines (all appropriations)
P	AF Military Personnel
R	Research, Development, Testing, and Evaluation
S	AF Stock Fund
T	Army (all appropriations)
W	All Other Air Force
X	Foreign Military Sales
Y	OSD (all appropriations)
Z	All Other Non-Air Force

As stated previously, interest penalty payments will be financed by the operation and maintenance type appropriation funding the paying activity without regard to who caused the late payment to be made or the fund cited on the voucher. Additionally, no refund or reconciliation between agencies, appropriations, or commands will be attempted or accepted.

To maintain control of invoices throughout the payment process, an optional payment checklist and suspense worksheet has been developed and is recommended by Headquarters, Air Force Accounting and Finance Center. The purpose of the

worksheet is to maintain a current written record of activity relating to specific invoices and as a control mechanism to prevent unauthorized delay in payment of an invoice. The contents and format of the worksheet are contained in Appendix B.

While it is obvious that the Air Force is concerned with the potential impact of the Prompt Payment Act, it is equally obvious that Headquarters personnel are concerned with maintaining a sound system of internal control over expenditures of government funds. This concern is demonstrated in the following narrative [Ref. 14]:

> It is Air Force policy not to compromise prescribed payment procedures, controls, or standards to avoid the payment of interest. If a proper invoice is paid after the due date plus 15 calendar days (3 calendar days for meat and meat food products and 5 days for fresh fruits and vegetables) and interest is not specifically excluded, pay interest penalties without need for request by a business concern.

The final step in control of interest penalty payments is the reporting requirement. All Finance and Accounting Officers are required to submit message reports to Headquarters, Air Force Accounting and Finance Center, at the close of each fiscal year. These reports will indicate the reasons for late payments, the appropriations affected, the number and amount of interest payments for each reason code and appropriation, the number and amount of early payments for each appropriation.

3. Summary

The discussion above represents the total implementation initiatives of the U.S. Air Force to date. The only

substantive changes made to the accounting and reporting system are the changes to the accounting data element structure designed for data accumulation. No specific changes were promulgated to incorporate the Prompt Payment Act into a uniform internal control system. Essentially, each Accounting and Finance Officer is individually responsible for implementing internal control procedures within his paying office that will be effective in controlling timely payments.

Therefore, the final responsibility for controlling interest penalty payments in the U.S. Air Force lies with the vigilance of the personnel in the local accounting and finance offices and the strength of the individual systems of internal control within each office.

C. U.S. ARMY IMPLEMENTATION PROCEDURES

The U.S. Army responded to the general guidelines issued by the Office of the Secretary of Defense (OSD) in a manner similar to that of the Air Force. Following those guidelines, the Army implemented procedural requirements to all Finance and Accounting Officers (FAOS) and Central Accounting Officers (COAS) to insure compliance with the Prompt Payment Act. As directed by OSD, the Army will fund all interest penalty payments, resulting from the Prompt Payment Act, from the Operations and Maintenance appropriations applicable to the Army, except for cases involving Foreign Military Sales (FMS) which are handled as special cases. As in the case of the

Air Force, the funds made available for financing the operations of the Finance and Accounting Office making the payment will be designated to bear the cost of the interest penalty [Ref. 15]. Procedures have been established at Comptroller of the Army level to effect budgetary transfers of funds between Major Commands to reimburse interest costs experienced by paying offices when such costs become a burden on operations or otherwise become excessive. When directed, this transfer of funds will be accomplished on DA Form 1323.

To insure consistency and accuracy in accomplishing payment of invoices and related interest penalties, specific procedural guidelines have been promulgated by the Assistant Comptroller of the Army for all FAOS and CAOS to follow. These procedures are identified and discussed in the following sections.

1. General Payment Terms

Finance and Accounting Officers and Central Accounting Officers are tasked with the responsibility to insure the timely payment of accounts in accordance with the Prompt Payment Act [Ref. 16]. Additionally, FAOS and CAOS share with the Commanding Officers of supported commands, the responsibility of insuring receipt in the paying office of necessary supporting documentation for payment of bills by the established due date. FAOS and CAOS are to establish and maintain lines of formal correspondence and informal contacts with contracting officers to insure that timely receipt. Commanders

are directed to provide any necessary command support to insure compliance by subordinate personnel in submission of required documentation.

Any invoice received is to be reviewed immediately to determine if it is a proper invoice [Ref. 17]. Invoices with discrepancies are to be returned to the vendor for correction. The vendor will be notified in writing of the error within 15 days following receipt of the invoice (3 days for meat and meat food products and 5 days for perishable agriculture commodities). The adjusted due date will be established from the date of receipt of a new proper invoice. When possible, payment of invoices will be made as close as possible to, but not later than the established due date.

2. Accounting and Control of Interest Penalty Payments

To insure that all FAOS and COAS accumulate adequate data for subsequent review and reporting purposes, specific technical changes have been made in the accounting data element structure and payment related document preparation procedures in use by the Army [Ref. 15]. Specifically, interest penalties due at the time payment of an invoice is accomplished will be included in that payment. The related voucher will reflect a separate accounting classification for the interest and the "Difference" block on the Standard Form 1034 or DD Form 1155 will include the amount of interest. Vouchers will be recertified by the FAOS when interest penalties accrue after the voucher is received by the FAOS.

Interest charges will be charged to appropriations current at the time the interest is paid. Element of Expense (EOE) code 43XX will be charged for all interest payments resulting from the Prompt Payment Act. To meet internal management and OSD reporting requirements, the third position of the EOE code will contain an alpha code (A-W) reflecting the appropriation cited on the contract for which the interest penalty was incurred. The applicable codes are as follows:

CODE	APPROPRIATIONS
A	Military Personnel, Army
B	Operations and Maintenance, Army
C	Family Housing Management Account
D	Army National Guard
E	U.S. Army Reserve
F	Research, Development, Testing, and Evaluation
G	Military Construction, Army
H	Army Stock Fund-Commissary Stocks
J	Army Stock Fund-All Other
K	Army Industrial Fund
L	Ammunition Procurement Account
M	Army Management Fund
N	Direct Cite Foreign Military Sales
P	Other Army Appropriations
R	Navy Appropriations
S	Air Force Appropriations
T	OSD Appropriations
W	Other Cross Disbursed Appropriations

The fourth position of the EOE code will contain an alpha code (A-I) reflecting the reason for late payment. These codes correspond to the "Standard Reasons for Late Payment Codes" presented earlier in this chapter. However, the codes are modified as follows:

CODE	REASON FOR LATE PAYMENT
A	Contract or modification not available in the paying office or precertifying activity.
B	Documentation evidencing receipt of supplies or services received late in paying office or precertifying activity.
C	Delays in obtaining certification of invoice, when required.
D	Discount taken in error.
E	Failure to provide timely notification to vendor of defective or improper invoice.
F	Delays within paying office or precertifying activity.
G	Other delays in paying office or precertifying activity.
H	Postal Service delays between government activities.
I	All other reasons.

The reporting requirement is an important step in control of any process. Finance and Accounting Officers are required to submit a periodic report to the U.S. Army Finance and Accounting Center on any payments made under the Prompt Payment Act. The report will contain the Disbursing Symbol Number, the number of interest payments, the reasons for late payments, the number of payments made 5 or more days before the due date, and the dollar value of early payments. At the date of this thesis the periodicity of the report had not been established.

Army officials have demonstrated their concern for the impact on operations and maintenance funds by the development of the reporting procedures described above. However, their concern is more strongly demonstrated in the responsibility tasking of commanders. Specifically, all commanders are made responsible for insuring timely payments are made and interest payments are kept to a minimum if not completely

avoided [Ref. 17]. Installation commanders must provide periodic reviews of the causes of interest payments, and when warranted, inform tenant activities of required corrective action. Internal instructions to implement the Prompt Payment Act must include provisions for these reviews and resulting actions. Inspectors General and audit agencies will review implementation initiatives [Ref. 17].

While demonstrating this strong position relative to implementing the Prompt Payment Act, the Assistant Comptroller of the Army recognizes the need for maintaining control of bill payment to prevent errors or the opportunity for fraudulent actions. This is shown in the following narrative [Ref. 16]:

> It is realized that the mail service may preclude the arrival of receiving reports by centralized/regional paying offices in time to comply with the payment provisions. However, controls for proper payment cannot be weakened to avoid interest penalties.

3. Summary

The discussion above represents the total implementation initiatives of the U.S. Army to date. The only substantive changes made to the accounting and reporting system are the changes to the accounting data element structure designed for data accumulation. No specific changes were promulgated to incorporate the Prompt Payment Act into a uniform internal control system. Essentially, each Accounting and Finance Officer or Central Accounting Officer is individually responsible for implementing internal control procedures within his

paying office that will be effective in controlling timely payments. Additionally, each installation commander is individually responsible for insuring the effectiveness of the system installed to control the timely payments.

The final responsibility for achieving success in controlling interest penalty payments in the Army, rests with the personnel of the individual paying offices, the strength of the individual control systems in each office, and the involvement of commanders of the activities served.

D. U.S. NAVY IMPLEMENTATION PROCEDURES

The U.S. Navy has been less decentralized in its implementation of the Prompt Payment Act than have the other services. The general guidelines issued by the Office of the Secretary of Defense were significantly expanded by the Navy in developing a comprehensive program to comply with OSD directives. As directed by OSD, the Navy will fund all interest payments from the Operations and Maintenance accounts applicable to the Navy, except for cases involving Foreign Military Sales (FMS) which are handled as special cases. However, in a manner different from the other services, the Navy has established a central fund in the form of an open allotment to bear the costs of all interest penalties. In its analysis of proposed implementation procedures, the Office of the Comptroller of the Navy [Ref. 18: p. 18] recommended this centralized fund be administered by the Naval Supply

Systems Command (NAVSUP) under budget category BA7. This recommendation was made because NAVSUP controls approximately 60% of Navy disbursing and also accounts for the majority of material receipt and certification in the Navy prior to disbursement. This recommendation was approved for implementation along with the placing of responsibility for administration of the analogous fund in the U.S. Marine Corps with the Commandant of the Marine Corps [Ref. 19: p. 1].

Specific procedural guidelines were promulgated by the Navy to effect the implementation of the Prompt Payment Act at the operational level. These guidelines direct personnel at the operational level in accomplishing specific actions relative to payment of invoices and interest penalties. The purpose is to effect some level of control over the process and to accumulate data necessary for reporting and follow-up action. These procedural guidelines are discussed in the following sections.

1. General Payment Terms

The established policy of the Department of the Navy is that payments to business concerns will be made when due. When the goal of timely payment is not achieved and after expiration of an appropriate grace period, interest will be paid in accordance with the Prompt Payment Act [Ref. 20: p. 6]. The policy further indicates that it is the responsibility of everyone in the Department of the Navy who processes invoices

prior to payment or who provides documentation permitting payment to insure that invoices are paid in a timely manner.

To accomplish this timely payment, three specific performance criteria have been established by the Office of the Secretary of the Navy for guidance of Naval activities. First, activities which receive goods and services will now be held responsible for submission of certified invoices to paying offices within three business days after receipt of goods and services; second, each paying activity is required to install an invoice tracking system that will provide data necessary to satisfy the annual reporting requirement to Congress concerning frequency, numbers, interest amount, and reasons for all late payments; third, complete funding and accounting provisions will include identification of specific activities responsible for late payments [Ref. 21]. Additionally, receiving activities are directed to annotate each invoice received with information, preferably by rubber or mechanized stamp, as exhibited in figure 4.1 [Ref. 22: p. 6]. Paying offices are directed to record the date of invoice receipt on the reverse of the original invoice for determination of cause of late payment and subsequent reporting. Contracting offices are directed to insure correct preparation and expeditious distribution of all related contractual documents to the appropriate offices to permit timely receipt, acceptance and payment [Ref. 21]. The responsibility of monitoring compliance with these provisions is placed with the

Invoice Number ____________________

Invoice Date ____________________

Date Material Rec'd ____________________

Date Invoice Rec'd ____________________

Date Fwd'd for Pmt ____________________

Amt Approved for Pmt ____________________

Goods Acceptance Certified by:

____
(Name/Functional Title/Activity)

Paying Office ____________________
(Name and/or UIC)

DISC NC 442 Attached? Yes____ No____

Figure 4.1 Invoice Information Requirements.

paying offices [Ref. 20: p 2]. As in the other services, the Disbursing Officer is tasked with insuring that all activities adhere to the prescribed directives and insure that invoices are approved and submitted to the paying office in an expeditious manner.

2. Accounting and Control of Interest Penalty Payments

The system installed by the Navy to account for and control interest penalty payments is designed to accumulate data for both reporting purposes and internal management. Unique accounting data has been developed for use in payment of interest penalties. The appropriate account classification data to be used by Navy disbursing officers for all interest payments other than FMS and by Marine Corps disbursing

officers for all interest payments in complying with the Prompt Payment Act is shown in figure 4.2 [Ref. 19: p. 3].

Navy Paying Offices for Non-FMS Payments

(1)	(2)	(3)1/	(4)	(5)	(6)	(7)	(8)2/	(9)3/
17*1804	97LP	000	Ja514	0	068342	2D	XXXXXX	XXX000000000

Marine Corps Paying Offices

17*1106	2720	000	00027	7	000027	2D	XXXXXX	XXX000000000

*Designates the last position of the fiscal year. For interest payments the fiscal year cited will be the fiscal year current at the time of payment.

1/Object classification data reported as prescribed in Navcompt Manual 027003 and 027004.

2/Enter the UIC of the activity responsible for the late payment. The first position will "R" or "V" if a fleet unit is the responsible activity. Otherwise, the first position will be zero for Navy or alpha/numeric for other DOD activities.

3/Enter the applicable Reason Code and invoice count. The Reason Code will be entered in the first position of the cost code field. Enter an invoice count (01-99) in the second and third positions of the cost code field.

Figure 4.2 Accounting Data for Interest Payments

The numbers (1) through (9) above the account classification data in figure 4.2 represent the nine basic elements of accounting data used to identify the individual elements of the Navy's account classification structure. This account classification data will be charged for interest payments regardless of the appropriation against which the original procurement was charged. It is essential to note that of the 9 basic elements of accounting, 7 of the elements remain

constant for all appropriations and 2 of the elements are variable in nature. These 2 variable elements which are represented by X's in the accounting spread shown in figure 4.2, must be inserted by the paying office at the time payment is effected. In the space provided for accounting data element number 8 (Property Accounting Activity field), the paying office will insert the unit identification code (UIC) of the activity responsible for causing the late payment. The UIC must be prefaced with an "R" if the activity is an afloat unit of the Pacific Fleet, a "V" if the activity is an afloat unit of the Atlantic Fleet, a zero if the activity is any other Navy activity, or an alpha/numeric code if any other DOD activity. In the space provided for accounting data element number 9 (Cost Code field), the paying office will insert a code reflecting the reason for late payment and a numerical count of the invoices [Ref. 19]. The reason codes and their appropriate assignment criteria are found in Appendix C [Ref. 20].

The Authorization Accounting Activities (AAA) for each applicable line of accounting data cited in figure 4.2 will perform normal accounting functions and produce applicable fiduciary accounting reports. Interest payment data for management purposes will be collected from the Centralized Expenditure/Reimbursement Processing System (CERPS).

The final step in the control process is the reporting effort. Since the accounting data used for the

interest payments is unique, the Centralized Expenditure/ Reimbursement Processing System (CERPS) can be utilized to obtain the number and dollar value of interest payments. Each paying office must prepare and submit to the Comptroller of the Navy, a monthly report of all payments made for invoices which are subject to the new law. These individual reports are required to enable management officials to determine the relative frequency of interest payments. The format of the required reports is shown in Appdendix D [Ref. 20].

Although the Navy has made a strong effort to effectively implement the Prompt Payment Act, it should be understood that the Navy remains steadfast in its resolve to fight the causes of waste, fraud, and abuse in the Navy. Compliance with the Prompt Payment Act is not to be allowed to interfere with that basic premise as indicated by the Secretary of the Navy [Ref. 21] in the following statement:

> Implementation of the subject act should not be construed as abrogating existing responsibilities to combat waste and fraud by ensuring that only valid bills of legal purchases are paid. Further, cash management regulations continue to apply and the current requirement to take appropriate discounts is not altered by procedures cited above.

3. Summary

The actions required above demonstrate the Navy's resolve toward implementing the Prompt Payment Act in an effective manner. However, the only substantive changes made by the Navy are changes to the accounting classification

data designed to account for the costs of interest payments and identify the activities causing the late payment. The only real change promulgated to incorporate the Prompt Payment Act into a uniform internal control procedure is the requirement to include information on each invoice that will allow fixing of responsibility to the activities causing late payments. This information is valuable if utilized in an effective manner of applying corrective action. All bill paying activities utilizing the Uniformed Automated Data Processing System (UADPS), maintained by the Fleet Material Support Office, for processing bill payments and maintaining records thereof are able to produce a monthly report from standard program UGTB02 reflecting bill paying statistics. These statistics reflect by number and dollar values the workload measurement of the previous month relative to bill payment. While this is a uniform report of Prompt Payment Act data, it is of little real value in controlling timely payment. Each individual Disbursing Officer is still responsible for installing systems of internal control within his office that will be effective in controlling timely payment.

Therefore, the final responsibility for controlling interest penalty payments in the U.S. Navy lies with the personnel in the individual disbursing activities, the strength of the individual systems of internal control in each paying office, and the support rendered by the Commanding Officers of individual commands supported.

E. IMPORTANT DIFFERENCES IN IMPLEMENTATION PROCEDURES

In implementing the Prompt Payment Act, all three services responded with concern for the impact on operating funds. The Air Force and the Army chose to fund the costs of interest payments from the operating funds made available to operate the paying office actually effecting invoice payment, with a change to the element of expense accounting code for data collection. The Navy chose instead, to maintain a central fund at the agency level to which all paying offices would charge the costs of interest payments. Additionally, the Navy incorporated the capability of identifying and reporting the individual activity causing each late payment for subsequent review and potential corrective action. The utilization of a centrally visible account by the Navy provides easier access to interest cost information than is possible for the other services. The Navy went further in its directives to all service components in directing their involvement in achieving timely payments, than did the other services. However, the final statement of all three services makes the paying officer ultimately responsible for oversight, compliance, and success or failure of the total program. Overall evaluative comments on each of the services' procedures will be presented in the following chapter.

V. CONCLUSION

A. SUMMARY

Chapter I introduced the requirement for all federal government agencies to pay interest as a penalty payment to compensate vendors for late payment of overdue bills. Additionally, the purpose and scope of this report, which is to study the procedures implemented by the U.S. Army, U.S. Air Force, and U.S. Navy to comply with this requirement, is examined in detail.

A historical review of the circumstances and conditions which led to and brought about the enactment of the Prompt Payment Act was made in Chapter II. In this review it was demonstrated that the law resulted from Congressional concern for the complaints of various business groups, the erosion of the competitive industrial base, and the increasing cost of goods and services to the U.S. Government. To counter these negative attributes, the Prompt Payment Act (Public Law 97-177) is intended to encourage prompt payment by all federal agencies for goods and services procured or to insure compensation to vendors for late payment and resulting loss of available operating funds. Finally, the legal requirements imposed on the federal government by Public Law 97-177 are identified and reviewed in detail.

In Chapter III a presentation is made on the theory of internal control. In this chapter internal control is discussed from a theoretical point of view to show the development of internal control as a system of control mechanisms. This idea of control systems reflects the plan of organization and all the coordinated methods and measures designed to assist management in effectively accomplishing the goals of the organization as a whole. This concept is shown to include both accounting and administrative controls in both manual and automated systems. A practical example of internal control in action is presented to provide an understanding of the concept on which U.S. Navy implementation procedures associated with the Prompt Payment Act are to be evaluated.

Chapter IV provides a detailed review of current Prompt Payment Act implementation guidance of the Office of the Office of the Secretary of Defense. This guidance is followed by a detailed examination of implementation directives and procedures of the U.S. Air Force, U.S. Army, and U.S. Navy to identify important differences which might be employed by the U.S. Navy as improvements to its own system.

B. CONCLUSION

Procedures implemented by the U.S. Air Force and the U.S. Army are extremely general in terms of controlling timely payment. Both services have employed a decentralized method of collecting data for amounts of interest expense realized

and other required data for annual reporting purposes. However, neither service has included in their accounting system, a method for fixing responsibility with the activities responsible for causing late payments. In both services the individual Finance and Accounting Officers are tasked with the ultimate success or failure of achieving the goal of timely payment and interest minimization for the geographical area their paying office serves. In most cases, they lack the authority or the capability to influence conduct of supported activities relative to document submission. Commanding Officers are tasked indirectly to support the efforts of the paying offices in seeking payment related documentation. With no system to collect data on deficient commands at the claimant/subclaimant level, it is unlikely that such support will be effective.

Within the individual offices, each Finance and Accounting Officer is responsible for developing his own system of internal control to effectively accomplish the goal of timely payment. Tailoring individual systems of internal control to the circumstances surrounding the operation of the various paying offices does indeed have merit. However, the necessity for all management personnel to fully understand the concept of internal control, when accompanied by the workload volume existing in most paying offices, may preclude or at least delay development of an adequate and effective system. As a result, this may lead to an excessively labor intensive effort

to attempt accomplishment of the tasking. Current procedures which have been implemented by the U.S. Air Force and the U.S. Army will not provide improvement in the system implemented by the U.S. Navy and therefore should not be adapted for use by the Navy.

The procedures implemented by the U.S. Navy are more centrally coordinated than those of the other services. The procedures provide the basis for development of a sound system through the ability to fix responsibility for delinquency with individual commands. Specific responsibility for the performance of duties must be assigned to specific individuals if a system is to operate effectively and work is to be properly performed [Ref. 11: p. 217]. If a duty is not adequately performed, it is then possible to place responsibility with the person who did the work. The one assigned to do the work is thus motivated to work carefully, and corrective action by management is made possible [Ref. 11: p. 217]. This aspect of the Navy's program is the most positive step made relative to the concept of effective internal control and the evaluation criteria discussed in Chapter I. This, however, is the only significant positive area in the program and this information is provided at the agency level instead of the claimant/subclaimant level where oversight occurs.

As with the other services, the Navy places ultimate responsibility for the success or failure of timely payment

with the local Disbursing Officer, without the authority to enforce compliance by supported commands. To the extent that documentation is in the possession of the Disbursing Officer, such responsibility is properly placed. However, review of numerous specific invoices indicates that late submission of documentation by user commands and contracting agencies contributes significantly to late payment problems. Under the current agency level funding concept for interest payments, individual commands and claimant/subclaimant level commands have little incentive to actively participate in the interest minimization effort through expeditious processing and submission of documentation. The individual Disbursing Officers are again tasked with developing internal control procedures to control timely payments within their paying offices. As before, this tailoring of control systems is desirable, however, the same problems as described for the other services may exist and outside expertise may be required to effectively design and install such systems.

With the exception of the ability to identify noncompliance by individual activities, the remainder of the program does not satisfactorily meet the principles of the concept of internal control or the evaluation criteria described in Chapter I.

C. RECOMMENDATION

The criteria utilized for evaluation of improvements in effectiveness of bill payment procedures are repeated here for review:

(1) Development and administration of regulations that will insure individual naval activities respond to essential timeliness in the submission of documentation, relative to bill payment, to the appropriate bill paying agency.

(2) Development of the ability to provide timely information necessary to enable follow-up capability on performance of individual commands and expedient identification of commands repeatedly failing to comply.

(3) Ability to provide recurring reports to appropriate command level personnel regarding interest payments on invoices pertaining to subordinate commands.

(4) Develop and install a method to encourage active participation at all levels within the Navy in physically minimizing the amount of interest penalty payments.

(5) Establishment of systems of internal control in bill paying agencies that will simultaneously prevent unauthorized delay in bill payment by identifying all invoices approaching an overdue status for management review and prevent unauthorized issuance of checks.

To accomplish criteria (1) through (4) above, it is recommended that the current accounting process be maintained. However, it is recommended that the control procedures be

expanded and matured into a permanent program which holds claimants and/or subclaimants responsible for the performance of subordinate commands relative to timely bill payment. This permanent program can be an effective program with incentives to encourage adherence to the goal of achieving timely payment of invoices. Implementation of an effective permanent program could be accomplished in two phases.

In phase one, maturing of the system can be accomplished with little change necessary. The current method of funding through a central open allotment is the most desirable program implemented in any of the services. It is recommended that this method of funding be retained because of its positive impact on operational readiness of individual commands and on accuracy of accounting related data now provided. Information on interest payments, delinquency, and activities causing the delinquencies is in fact available now under the present reporting system. It is recommended that this system be maintained. With this data available, the interest payments information should be segregated according to the responsible claimant and/or subclaimant. This segregated information should be disseminated to the appropriate claimant and/or subclaimant in a periodic and timely manner. The information should report total dollar value of interest payments caused by individual subordinate commands as well as each command's proportion of total interest paid by the Navy. Availability of this information on a timely

basis will provide the capability of oversight, internal audit, and review of subordinate command performance.

In phase two, it is recommended that goals be negotiated with each claimant and/or subclaimant to be achieved in terms of total dollar value of interest paid on behalf of the claimant and subordinate commands, claimants proportion of the interest paid by the Navy, and reduction of interest payments made. To encourage accomplishment of the goals, consideration might be given to CNO withdrawal of claimant and/or subclaimant O&M,N funds in an amount equal to the funds expended in excess of negotiated goals. If this proposal were adopted, a mid-year review would be essential to identify potential areas of concern and to preclude negative impacts on operational readiness. Maintaining this program would create the necessity and incentive for significantly increased oversight and management concern by higher levels in the chain of command for performance of both paying offices and supported activities.

To accomplish criterion number (5), it is necessary to establish individual systems of internal control in each paying office that will reflect the needs of that office. Each system must have a method of review, control, and tracking of invoices throughout the entire system. Current automated payment programs under the UADPS system attempt this action but are highly deficient in the tracking effort through the payment process. To effectively establish

systems of internal control in paying offices of the U.S. Navy, it is recommended that a qualified audit team be made available to provide reviews and assistance to all Navy paying offices in establishing and implementing effective systems of control. A single audit team would be most desirable to insure standardization to the maximum extent possible. All future inspections and audits should carefully examine this area for potential weakness in control of timeliness and weakness in control of potential fraudulent activities or unintentional errors.

D. RECOMMENDATION FOR ADDITIONAL THESES

Under the current system of interest payment, all interest costs are charged against the Operation and Maintenance Appropriations of the service making the payment. This is the case regardless of the appropriation funding the payment of the related invoice cost. However, time discounts realized are enjoyed by the original appropriation funding the invoice payment. Since budgeting and appropriation actions are based on the estimated full costs of purchases, disregarding time discounts, it is recommended that a follow-on thesis be accomplished to determine the effects and desirability of utilizing time discounts realized from all appropriations to offset interest costs funded by the O&M,N Appropriation.

APPENDIX A

PROMPT PAYMENT ACT REPORT

FISCAL YEAR______

DOD COMPONENT:

REASON FOR LATE PAYMENT	NUMBER OF INTEREST PAYMENTS	PERCENT FREQUENCY % (1)	DOLLAR VALUE OF INTEREST PAYMENTS
A.			
1. Contract/amendments not available in paying office...			
2. Receiving documentation delay by receiving activity..			
3. Delayed to obtain required certification of invoice.....			
4. Delayed by paying office..			
5. Military exercise.........			
6. Discount taken in error...			
7. Failed to notify vendor of defective invoice...........			
8. ADP delay.................			
9. Postal service delays.....			
10. All other................			
Totals	________	________	________

B. NUMBER OF PAYMENTS MADE 5 DAYS BEFORE DUE DATE (EXCEPT DISCOUNTS)	PERCENT FREQUENCY % (2)	DOLLAR VALUE OF EARLY PAYMENTS
____________________	___________	______________

APPENDIX A (continued)

C.	TOTAL NUMBER & DOLLAR VALUE OF PAYMENTS MADE	NUMBER OF PAYMENTS MADE	DOLLAR VALUE OF ALL PAYMENTS
	____________	____________	____________

D. NARRATIVE STATEMENT: (3)

(1) Relative frequencies on a percentage basis, of interest penalty payment for each reason as a percent of total payments made.

(2) Total number of payments made early as a percent of the total number of payments made. Statistical basis may be used, if appropriate.

(3) Summarize actions taken during the year to improve payment systems and procedures and specific corrective actions. If additional space is required, use additional pages.

Report Control Symbol DD-COMP (A) 1607

APPENDIX B

PAYMENT CHECKLIST AND SUSPENSE WORKSHEET

(1) Worksheet is optional.

Date Payable: Date Paid:

Check Number:

1. Vendor: 2. Contract Number:

3. Date Invoice Received: 4. Date Contract Received:

5. Date of Delivery: 6. Contract Payment Terms:

7. Appropriation/fund on contract: 8. Payment Voucher Number:

9. Review invoice for propriety. If not proper:

A. Deadline for notifying vendor (NLT date of receipt of invoice plus 2 business days for meat, 4 calendar days for produce, and 14 calendar days for all other):

B. Date notice of defect mailed to vendor:

10. Discount terms:

11. Discount cost effective and more than $10:

12. Payment due date if answer to 11 is yes (not sooner than 4 calendar days before discount due date):

13. If no discount, or if discount is not cost effective, payment due date based on contract payment terms (not sooner than 4 calendar days before due date).

14. If contract does not specify payment due date, payment due date based on type of merchandise (not sooner than 4 calendar days before due date).

A. Meat or meat food products (date of delivery plus 7 calendar days).

B. Perishable agriculture commodities (date of delivery plus 10 calendar days).

C. All other merchandise and services (the later of 30 calendar days after receipt of proper invoice or delivery).

15. If payment suspense is missed, determine if interest is payable:

	A Payment Due Date	B Add Grace Period	C Due Date Grace Period
Meat or meat food products		3	
Fresh fruits and vegetables		5	
Other		15	

If payment is later than 15C, interest is payable.

16. If interest is payable, compute beginning on day after required due date, 15A, through date payment is made.

17. Interest computation:

Amount subject to interest: X rate of interest in effect date of payment: / 365 days X days late: Equals amount of interest payable.

18. Reason interest was paid code (EEIC 682XX):

19. Reason for early payment:

(2) Complete the worksheet only as necessary. For example, if a payment due date is established at line 12, enter that date as a suspense date payable in the upper right corner of the worksheet. Don't complete lines 13 through 19 unless the payment suspense date is missed.

(3) If used for payment of some or all invoices, the worksheet will:

(A) Provide a checklist of payment actions in the order in which they must be considered.

(B) Serve as suspense document permitting unpaid vouchers to be filed for reference until paid.

(C) Delete need to annotate vouchers for early payment if attached to voucher, provides a record of mailing dates, and provides details of interest computation when attached to payment vouchers.

(D) Provide a complete history for responding to claims made regarding a payment.

(E) Provide a source for preparation of the Prompt Payment Act report if copies are made of worksheets involving early payments or interest penalties.

(4) Lines 1 and 2 of the worksheet must be completed if it is separated from unpaid documents and used as a payment suspense.

(5) Data for lines 3 through 8 need not be entered unless a complete payment history is desired. Appropriation/fund data should be entered on line 7 if a copy of the worksheet will be used for report preparation.

APPENDIX C

REASON CODES AND ASSIGNMENT CRITERIA

A. Contracts, including amendments, not available in paying office. This is the responsibility of the contracting office, and the unit identification code (UIC) of that activity will be reflected in the property accounting activity field of the accounting line for interest payments. This code can only be used if the request for the missing document was made five or more calendar days prior to the expiration of the applicable grace period, and the document had not yet been received by the close of business of the working day preceding the last working day of the grace period.

B. Receiving documentation delay by receiving activity. This is the responsibility of the receiving activity and the UIC shown in the Property Accounting Activity (PAA) field should be that of the receiving activity. This code can be used under two different circumstances: (1) A request for the missing documentation was placed five or more calendar days prior to the expiration of the applicable grace period and the required documentation had not been received prior to the close of business on the working day preceding the last day of the grace period. (2) More than five working days elapsed between the date of acceptance of the goods and services and the receipt in the paying office of the approved

invoice and receiving report, and this delay allowed the paying office less than five working days to effect payment prior to expiration of the grace period.

C. Delay to obtain required certification of invoice. This is a receiving activity responsibility. It applies only when the contract provided for a specified period of time to accept the goods and services, this time period was exceeded, and the paying office had the bill five working days or less to effect payment without incurring interest charges.

D. Delayed by paying office. This is a paying office responsibility, and the UIC of the paying office or of the appropriate branch office should appear in the PAA field of the applicable accounting data. This code is used whenever either of the following circumstances applies: (1) A bill properly payable was received ten working days or more prior to the expiration of the applicable grace period. (2) The provisions of Codes A, B, C, or E would have applied except that the properly payable bill or the information necessary to pay the bill was received in the paying office prior to the time specified in the description of those codes.

E. Military exercises in progress. This code is proper for use only when the activity or ship requisitioning the goods or services cannot be contacted by the paying office for information necessary to effect payment due to restrictions on the use of telephone or message communications, and the request is sent by mail at least five calendar days prior to

expiration of the grace period, and the information when obtained by mail or after the lifting of the restrictions is received after the close of business on the working day preceding the last working day of the grace period. The UIC shown is that of the ship or activity that could not be contacted.

F. Discount taken in error. This is a paying office or branch paying office responsibility. The code is proper whenever it has been determined that a discount was wrongfully taken, and full payment was not made within the specified periods of time prescribed. When this condition occurs, this code should be used regardless of whether the conditions described in the other codes apply as well.

G. Failure to notify vendor of defective invoice. This code can apply to either the receiving activity or the paying office. In either instance it applies only if the number of calendar days between the date of invoice receipt and the date of rejection exceeds the maximum allowable number, and that this excess is equal to or greater than the number of calendar days by which actual payment exceeded the expiration of the grace period. In determing the activity responsible, the paying office would be considered responsible only if the invoice was received in the paying office ten or more working days prior to the payment due date. In all other instances, the receiving activity is responsible.

H. Automated system processing delay. In order for this code to be appropriate, the documented delay in calendar days must equal or exceed the number of calendar days beyond the expiration of the grace period on which payment was made, and no other codes apply. The UIC appearing in the PAA field should be that of the activity which controls the hardware, unless the failure can conclusively be attributed to a defective program. In that case, the UIC of the activity which prepared the program should be cited.

J. U.S. Postal Service delays. This code applies if none of the circumstances described in any of the codes apply, there is at least a seven calendar day gap between the documented mailing of the invoice by one activity inside the United States and the documented receipt of the same invoice by another activity in the United States, and payment exceeds the grace period by four calendar days or less. If either the sending or receiving activity is outside the United States, the documented mailing time must be at least fifteen days, and the payment date must be no more than eight calendar days beyond the expiration of the grace period. The PAA field should be zero filled.

K. All other. This code can be used at the discretion of the paying office, and may go so far as to include instances in which the facts lack sufficient clarity to permit a determination of why the payment was late. However, any use of this code must be thoroughly documented by the paying office

and available for inspection upon request. To the extent that a responsible activity can be identified, the UIC of that activity should appear in the PAA field. Otherwise, the field may be zero filled.

Summary. It is theoretically possible for all ten reason codes to have some applicability to the processing of a single invoice. The specific prioritization if multiple reasons appear to occur is as follows: F, D, A, B, G, C, H, E, J, K.

APPENDIX D

REPORT FORMAT

Paying Activity Name ____________________

Unit Identification Code ____________________

Month and Year ____________________

	Number of Invoices Paid	Dollar Value
Total for activity	XXXXX	$XXX.XX
Subject to Prompt Payment	XXXXX	$XXX.XX
Paid 5 or more days prior to due date	XXXXX	$XXX.XX

Comments

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