



Complying with Virginia's Prompt Payment Requirements

Fiscal Fundamentals



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

Photo by Karl Steinbrenner



“Prompt Payment Act” History

Enacted in the 1980s, the “Prompt Payment Act” no longer exists as a separate statute. In 2001, Virginia’s codification process embedded prompt payment requirements into the Virginia Public Procurement Act (§ 2.2-4347 through § 2.2-4356).

The term “Prompt Payment Act” remains in popular use for referring to related portions of the Virginia Public Procurement Act.



Prompt Payment Requirements

The law requires agencies to pay for delivered goods and services by the “required” due date.

The “required” due date is established by the terms of the contract.

If the contract includes no payment terms, then 30 calendar days after receipt of a proper invoice, or 30 days after receipt of the goods or services, whichever is later.



Prompt Payment Requirements

Virginia law requires 100% prompt payment compliance.

DOA calculates agency compliance rates each month. Compliance rate = (number of late payments made) divided by (total number of payments made).

Payments without due dates and interagency transfers are not considered.

Agencies or institutions with compliance < 95% appear in DOA's quarterly *Report on Statewide Financial Management and Compliance*.



Agency Role in Compliance

Agencies should have appropriate written policies and procedures.

Agencies should review CARS reports routinely.

A “no exceptions” policy applies to Prompt Payment Act compliance.



DOA's Role in Compliance

Monitor prompt payment monthly

Prepare Quarterly Report performance statistics

Send statistics to agencies and institutions quarterly

Assist agencies

Common Problems (1 of 3)

Allowing enough processing time

- 7 work days for non-decentralized agencies (allows for pre-audit reviews, CDS, check writing, and payment by mail or EDI)
- 4 work days for decentralized agencies (allows for all of the above, except pre-audit reviews)



Common Problems (2 of 3)

Keying correct calendar year on payments

Thoroughly reviewing payments before release

Clearing the CARS error file quickly



Common Problems (3 of 3)

Anticipating payments with weekend or holiday due dates, which are paid on the last business day prior to weekend or holiday

Processing payments up to CARS closing date (for example, if CARS February close is on March 8, payments processed up to March 8 are included in February)



Internal Controls

Ensure receiving report and purchase order match vendor invoice before approval

Calculate the required payment due date

Document unacceptable materials and incomplete services on receiving report and take corrective action

File original payment processing documents for audit

Review CARS reports for prompt pay compliance

CAPP Manual Topics

- [20315](#), Prompt Payment
- [20310](#), Expenditures

Code of Virginia

- Virginia Public Procurement Act, § [2.2-4347](#) through § 2.2-4356.



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