



City and County of San Francisco

Office of the Controller

DEPARTMENTAL GUIDELINES No. 001-07
Prompt Payment Guidelines

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APPROVED FOR DISTRIBUTION:

(signature)
Ed Harrington, Controller

Purpose of Guidelines

The purpose of this document is to provide guidance to City departments ("Departments" or "contract awarding authorities") on how to implement the City's Prompt Payment Program

Authority

These guidelines are issued under the Controller's authority

- 1) as City Services Auditor through San Francisco Charter, Appendix F;
- 2) in San Francisco Charter, Article I, Sec. 2A.20; and
- 3) in San Francisco Administrative Code Chapters 14B and 21.03.

WHAT IS THE CITY'S PROMPT PAYMENT PROGRAM?

- The City's Prompt Payment Program is based on Chapter 14B.7(L) of the City's Administrative Code which states that "The City shall pay LBEs (Local Business Enterprises certified by the Human Rights Commission) within 30 days of the date on which the City receives an invoice for work performed for and accepted by the City."
- The Controller's Office recommends that the City expand its Prompt Payment Program to include non-Local Business Enterprise vendors to provide consistency of payment policies and procedures.
- Per the Mayor's Executive Directive on *Payment Policies for Construction Contracts* issued in August 2007, "All City Departments shall make every effort to pay vendors within fifteen (15) business days after receipt of an undisputed invoice for work performed."
- Departments may develop different payment policies and procedures from those herein to foster prompt payment, including use of additional accelerated payment methods.

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<http://www.sfgov.org/controller>

Prompt Payment Definitions

TERM	DEFINITION	PROMPT PAYMENT CLOCK
<i>Date of Invoice Receipt*</i>	Whichever event is later: <ul style="list-style-type: none"> • Date the vendor's payment request (invoice) is received by the City, or • Payment date specified in the contract or purchase order (not to preclude vendor early performance), or • Date materials or services are delivered to the City. 	DAY ZERO
<i>Date of Invoice Acceptance</i>	Date the invoice is deemed "accepted" by the City for payment, meaning all approvals required by the City have been received. If there is an invoice dispute, notification must be made to the vendor specifying reasons and corrective actions by the City within seven (7) calendar days of the Date of Invoice Receipt. An invoice dispute includes a stop notice lien filed with the Controller's Office. An Invoice Dispute Notification stops the prompt payment clock until the dispute is resolved. Invoice Dispute Notifications by e-mail to vendors are acceptable. If a corrected invoice must be submitted, the prompt payment clock re-starts on the date the corrected invoice is received by the City.	By DAY SEVEN, Invoice must be submitted to Accounting for payment or Invoice Dispute Notification must go out to vendor
<i>Payment Due Date</i>	Within 30 days of the Date of Invoice Receipt. Per the Mayor's <i>Payment Policies for Construction Contracts</i> Executive Directive, City Departments shall make every effort to pay vendors within fifteen (15) business days. When the due date falls on a Saturday, Sunday, or legal holiday when City offices are closed, the City may make payment on the following working day.	By DAY 30, payment must be made
<i>Payment Date</i>	The check date. If payment is made by Electronic Fund Transfer, the bank settlement date.	

*Departments should not work with a vendor without an authorized contract or purchase order. In general, no services should be provided and no goods should be delivered before a contract is authorized by the City. Until a contract purchase order or the blanket purchase order is executed by the City, the City has no legal obligation to pay the order.

Implementation Guidelines

All City department heads should establish the policies and procedures necessary to implement the City's Prompt Payment Program, including, but not limited to:

Establish a central "one-stop shop" unit for receiving and tracking payment requests.

- Single point of contact for vendors to make inquiries and receive responses regarding the status of invoices and payments.
- The name, mailing address, phone number and e-mail address of the unit should be specified in all City department communications to vendors regarding payment.
- Each unit should have a back-up protocol to ensure continuity and timeliness of operations during vacations and other leaves.
- Departments using FAMIS Purchasing (ADPICS) are encouraged to record invoices and vouchers as early in the process as possible and must accurately document the date that each invoice is *first received*. The Notepad function may be used to document additional information about approvals, required corrective actions, and vendor communications prior to Voucher posting. Please note that Notepad entries cannot be used for reporting purposes.
- Each specified unit will be responsible for logging in the Date of Invoice Receipt, tracking the progress of invoices through necessary approvals, and logging in the Date of Invoice Acceptance.

Track the length of time from Date of Invoice Receipt to Date of Invoice Acceptance to Payment Date.

- Invoices should be recorded as soon as they are received.
- Track the number of days, for audit purposes, from the Date of Invoice Receipt to Date of Invoice Acceptance to Payment Date.
- Evaluate the number of payments delayed by performance or other disputes to determine how to decrease the likelihood of future disputes.
- Per the Mayor's *Payment Policies for Construction Contracts* Executive Directive, construction contracting Departments shall annually report on timeliness of payments and number of disputed invoices.

Communicate corrective actions to vendors in a timely manner.

- Notify vendors within **seven (7)** calendar days from the Date of Invoice Receipt, sooner as practicable, if an invoice cannot be accepted by the City due to defects or improprieties in the goods or services, the invoice, contractual performance obligations, or City requirement compliance status.
- An invoice may also be denied because a stop notice has been filed with the Controller's Office, thus disputing the vendor's entitlement to the requested funds.
- Clearly describe the corrective actions required, including whether the invoice must be corrected and re-submitted to re-start a payment request process, and log the vendor notification date and reason for notification.

Easy Methods to Accelerate Payments

Accept Electronic Payment Requests

E-mailed and faxed invoices

Electronic payment requests can establish a verifiable date and time for payment request submission to the City. Departments wishing to accept electronic payment requests should submit a formal written request to Frances Lee in the Controller's Accounting Operations and Systems Division, which includes:

- A list of contractors that are authorized to submit electronic payment requests (the list will be available for the Controller's post audit); and
- A copy of the department's proposed policies and procedures for receiving, tracking and processing electronic payment requests. This should include an explanation of the internal controls established by the department to ensure adequate tracking of requests and to avoid duplicate billing/payment (such as assigning a unique identifier to each invoice).

Requests will generally be reviewed within 10 working days and must be approved before departments can begin accepting electronic payment requests.

Promote Electronic Payments

Bank of America PayMode

The Controller's Bank of America PayMode program is a free, secure, Internet-based service. This service does not require a Bank of America account. Contact Peter Chiong of the Controller's Office at 415-554-5242 or ask vendors to sign up at www.bankofamerica.com/paymode/city_countyofsanfrancisco.

Allow Partial Payments

Payments for undisputed amounts should be processed without delay.

Access Online Vendor Payment Information

Vendor payment information is available online through the Controller's website (under "Vendor Information" link at <http://www.sfgov.org/controller>).

Methodology

To create these guidelines, the Controller's Office conducted comparative practice reviews of federal, state, and local prompt payment policies and programs.

The City's Human Rights Commission, Office of Contract Administration, City Attorney's Office, Public Utilities Commission, Department of Public Works, International Airport, Department of Public Health, Local Business Enterprise vendors, construction contractors, the Construction Contracting Task Force, the Nonprofit Contracting Task Force Review/Appellate Panel, and other City staff and stakeholders were solicited and/or interviewed for their thoughts and ideas regarding prompt payment practices, policies and issues. A draft was distributed to and reviewed with these parties prior to finalization and issuance.